## ORIGINAL



John E. Dougherty 2 PO Box 501 3 Rimrock, AZ 86335 4 Complainant & Intervenor 5 BEFORE THE ARIZONA CORPORATION COMMISSION 6 7 8 9 **COMMISSIONERS** 10 11 **BOB STUMP-Chairman GARY PIERCE** 12 **BOB BURNS** 13 SUSAN BITTER SMITH 14 **BRENDA BURNS** 15 16 17 W-04254A-12-0204 IN THE MATTER OF THE APPLICATION OF 18 MONTEZUMA RIMROCK WATER COMPANY, 19 LLC FOR APPROVAL OF FINANCING TO 20 INSTALL A WATER LINE FROM THE WELL ON 21 TIEMAN TO WELL NO. 1 ON TOWERS 22 23 W-04254A-12-0205 IN THE MATTER OF THE APPLICATION OF 24 MONTEZUMA RIMROCK WATER COMPANY, 25 LLC FOR APPROVAL OF FINANCING TO 26 PURCHASE THE WELL NO. 4 SITE AND THE 27 COMPANY VEHICLE. 28 29 IN THE MATTER OF THE APPLICATION OF W-04254A-12-0206 30 MONTEZUMA RIMROCK WATER COMPANY, 31 LLC FOR APPROVAL OF FINANCING FOR AN 32 8,000-GALLON HYDRO-PNEUMATIC TANK 33 34 W-04254A-12-0207 IN THE MATTER OF THE RATE 35 APPLICATION OF MONTEZUMA RIMROCK 36 37 WATER COMPANY, LLC. 38 W-04254A-11-0323 39 JOHN E. DOUGHERTY, 40 COMPLAINANT, V. 41 MONTEZUMA RIMROCK WATER 42 43 COMPANY, LLC, RESPONDENT. 44 45 Arizona Corporation Commission 46 DOCKETED 47 48 APR 1 9 2013 DOCKETEDBY

1		
2	IN THE MATTER OF THE APPLICATION OF	W-04254A-08-0361
3	MONTEZUMA RIMROCK WATER	
4	COMPANY, LLC FOR APPROVAL OF A	
5	RATE INCREASE.	
6		
7	IN THE MATTER OF THE APPLICATION OF	W-04254A-08-0362
8	MONTEZUMA RIMROCK WATER	
9	COMPANY, LLC FOR APPROVAL OF A	
10	FINANCING APPLICATION.	
11		
12		MOTION TO BAR
13		RATE APPLICATION
14	On April 12, 2013, the Company filed a Notice of Filing R	
15	on ripin 12, 2013, the company med a reduce of 1 ming re	ate rippineation.
16	The application violates ARS S40-301 and ARS S40-302 b	pecause the Company has
17	already entered into the Capital lease agreements for the As	
18	the Arsenic Treatment Facility and is now seeking to have	
19	more than a year after the leases were executed.	anese agreements approved
20	more than a your arter the leases were executed.	
21	Montezuma has installed and is operating the equipment ac	canired through the leases and
22	has been making monthly payments to the two leasing com	_
23	has been making monthly payments to the two leasing com	pames since way 2012.
24	There is no provision in ARS S40-301 and ARS S40-302 f	or a public service corporation
25	to receive <u>retroactive</u> approval to acquire long-term debt.	or a paone service corporation
26	to receive tetrodetrive approval to dequire long term deot.	
27 27	Therefore, Montezuma's Rate Application violates statute	and should be barred
28	Thorotoro, MontoZunia S Tatto rippiroution violates statute	and bround so surrou.
29	MEMORANDUM OF POINTS AND AUTHORITIES	
30		
31	Montezuma violated Commission Orders by hiding capital	leases
32	9 1	
33	The true and complete Capital lease agreements with Nile	River Leasing and Financial
34	Pacific Leasing were not disclosed to the Commission at the	
35	about March 22, 2012. Copies of the true and complete lea	
36	Commission subpoenas are attached herewith. (Exhibit 1)	2-2
37	commission suspection are attended note with (21most 1)	
38	Rather, on April 13, 2012, Montezuma docketed in W-042	54A-08-0361, 0362 two
39	incomplete and fraudulent leases dated March 16, 2012 that	
40	individually, rather than the Company. Both leases were pu	
41	Leasing. (Exhibit 2)	inportuary with twice terror
42	Deasing. (Lamore 2)	
<del>1</del> 2	The Company argued in an April 27, 2012 Legal Brief in V	V-04254A-08-0361 0362 that
44	Commission approval was not required for the Nile River I	
45	Olsen, acting individually, because she was not a public se	
46	Legal Brief, April 27, 2012, Page 2, Line 8)	Trice corporation. (Whey
70	Legai Dilei, April 21, 2012, 1 age 2, Lille 0)	

Montezuma, however, knew and failed to disclose, that the purported agreements signed 1 by Ms. Olsen were not the true and effective lease agreements. The Company knew that 2 Montezuma, rather than Ms. Olsen, had signed the March 22, 2012 Capital lease 3 4 agreements with Nile River and Financial Pacific. 5 Montezuma, which was represented by Counsel, also knew that three Procedural Orders 6 issued by this court on Jan. 4, March 12 and April 9, 2012 in Docket W-04254A-08-0361, 7 0362 required that the lease agreements signed by the Company be disclosed. 8 9 10 But Montezuma chose to ignore the Court's explicit orders and hide the fact that Montezuma had signed Capital leases. This devious and illegal action was done to 11 circumvent prior approval for the Capital leases under ARS S40-301 and ARS S40-302. 12 13 14 A year later, Montezuma is now seeking retroactive approval for the March 22, 2012 15 Capital leases that it secretly signed and then hid from the Commission. 16 17 Such illegal and devious action cannot be tolerated in a Commission that operates under the Rule of Law. (See Intervenor/Complainant's Motion for Partial Summary Judgment, 18 19 April 15, 2013) 20 21 Montezuma fails to provide the true and complete lease agreements in Rate Application 22 23 The Company's rate application does not include the true and complete Capital lease 24 agreements entered into by the Company with Nile River and Financial Pacific. 25 Despite the fact that Intervenor/Complainant in March 2013 provided the Company the 26 full and complete lease agreements and supporting documentation obtained through 27 subpoenas issued to Nile River and Financial Pacific, the Company continues to docket 28 29 incomplete and fraudulent lease agreements. 30 31 Nile River Lease 32 33 Montezuma includes in its Rate Application for the Arsenic Building an incomplete copy 34 of the March 22, 2012 lease agreement signed by the Company and Nile River. (Exhibit 35 3) 36 The Company failed to include "Rider 2" of the agreement, apparently in an effort to 37 38 convince the Commission that the Nile River lease is not a Capital lease. (Rider 2 is 39 included in Exhibit 1) 40 41 Montezuma Counsel states in Footnote 1 on Page 1 of its Notice of Filing Rate Applications that "MRWC does not believe the Nile River lease qualifies as a capital 42 lease, but the Company is willing to submit that lease to the Commission for review and 43

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approval."

1 The reason why the Company failed to include "Rider 2" of the lease agreement in its 2 Rate Application becomes obvious when the Rider is analyzed.

Rider 2 provides Montezuma with an Option to Purchase the Arsenic Building for \$1 at the end of the lease.

Accounting Standards Codification ("ASC"), a codification of Generally Accepted Accounting Principals ("GAAP"), provides under ASC 840 a test for whether a lease is a Capital lease or an Operating lease. Under the ASC 840 if a lease satisfies any one of four criteria, it is a Capital lease. The considerations are (1) the lease conveys ownership to the lessee at the end of the lease term; (2) The lessee has an option to purchase the asset at a bargain price at the end of the lease term; (3) the term of the lease is 75 percent or more of the economic life of the asset; and (4) the present value of the rents, using the lessee's incremental borrowing rate, is 90 percent or more of the fair market value of the asset.

Therefore, the March 22, 2012 lease between Nile River and the Company is a Capital Lease because it provides the Company with an option to purchase the building for \$1 at the end of lease period, thereby meeting ASC 840 Criteria (2).

## Financial Pacific Lease

Montezuma does not dispute that the Financial Pacific agreement is a Capital lease.

"The Company acknowledges the lease agreement with Financial Pacific is a capital lease and that the Company should have sought approval of that lease from the Commission." (Page 11, Line 11-13, Answer to Amended Formal Complaint, March 18, 2013)

In its April 12, 2013 Rate Application, Montezuma, however, included an unauthorized version of the Capital lease agreement with Financial Pacific rather than the true and correct lease agreement. (Exhibit 4)

On the first page of the Company's purported Financial Pacific lease, beneath the signature line for Patricia D. Olsen, is the typewritten date "5/2/2012". This is the date Montezuma Counsel asserts is the effective date of the Financial Pacific lease.

On March 7, 2013, Financial Pacific's legal department stated in a letter to Intervenor/Complainant in response to a Commission subpoena that the lease agreement with the date "5/2/2012" "appears to be an unauthorized modified version of the original."

The Financial Pacific further states: "We did not type the date of 5/2/2012 on this agreement." Financial Pacific also states "the lease was actually dated March 22, 2012." (Exhibit 5).

- 1 The reason Montezuma is continuing to assert that the Company signed the Financial
- 2 Pacific Capital lease agreement on May 2, 2012 is to put the date of the agreement after
- 3 the April 30, 2012 Procedural Conference when the Company's leasing plans were
- 4 discussed.

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- During the April 30, 2012 Procedural Conference, the Company did not disclose the fact that it had entered into Capital leases with Nile River and Financial Pacific and, instead,
- 8 was continuing to assert that the only lease agreements in place were those between Ms.
- 9 Olsen, individually, and Nile River.

10

- 11 In fact, discussion during the Procedural Conference focused on the Company's proposed
- 12 "Water Services Agreement", which Staff had determined was a Capital lease. The Water
- 13 Services Agreement was the proposed mechanism whereby Ms. Olsen would sublease the
- 14 Arsenic building and the Arsenic equipment to her Company that she had, inturn,
- personally leased from Nile River under the purported March 16, 2012 lease agreements.

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- During the conference, Montezuma counsel stated he would either submit a Water
- 18 Services Agreement as a Capital lease for review by the Commission staff, or a revised
- version as an operating lease. Staff also stated that it had an outstanding Data Request to
- the Company for information related to the Water Services Agreement.

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- 22 As the record clearly shows, Montezuma never submitted or docketed the Water Services
- 23 Agreement for further review. Nor did Staff ever demand that Montezuma produce the
- 24 information related to the Water Service Agreement sought in its Data Request.

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26 The reason is now clear.

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Montezuma had already secretly entered into Capital leases with Nile River and Financial Pacific and is now seeking retroactive approval without a legal basis.

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Applicable Law

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ARS S40-301 states, "The power of public service corporations to issue stocks and stock certificates, bonds, notes and other evidences of indebtedness...<u>is a special privilege</u>, the right of supervision, restriction and control of which is vested in the state, and such power shall be exercised as provided by law and under rules, regulations and orders of the commission."

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ARS S40-301 (B) states, "A public service corporation may issue...other evidence of indebtness...when authorized by an order of the Commission."

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Montezuma signed the March 22, 2012 Capital lease agreements with Nile River and Financial Pacific without an order of the Commission authorizing the Company to do so.

- 45 ARS S40-302 (A) states, "Before a public service corporation issues...other evidences of
- 46 indebtedness, it shall <u>first secure</u> from the commission an order authorizing such issue..."

1 2 3	Montezuma signed the March 22, 2012 Capital lease agreements with Nile River and Financial Pacific without first securing from the Commission an order authorizing it to do so.
4	
5	<u>Conclusion</u>
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7	Montezuma is attempting to whitewash its intentional deception of this Court when it
8	secretly entered into two capital leases on March 22, 2012 and then refused to disclose these leases in direct violation of three Procedural Orders.
	these leases in direct violation of three I focedural Orders.
10	Mantagamen and anly hid the Nile Diver and Financial Decific Capital league it decketed
11 12	Montezuma not only hid the Nile River and Financial Pacific Capital leases, it docketed fraudulent lease agreements purportedly showing that Ms. Olsen had signed leases to
13 14	obtain the Arsenic Building and Arsenic Facility rather than the Company. <sup>1</sup>
15	Montezuma Counsel then argued before this Court that the Commission had no authority
16	to review the lease agreements signed by Ms. Olsen.
17	to review the least agreements signed by 1413. Otsen.
18	Now, a year later, Montezuma is seeking <u>retroactive</u> approval of the Capital leases it hid
19	from the Commission. Even now, the Company continues to docket incomplete and
20	unauthorized versions of the Capital leases.
21	unauthorized versions of the Capital leases.
22	Finally, Montezuma does not provide a <u>legal basis</u> in its Financing Application for
23	obtaining retroactive Commission approval for the Capital lease agreements.
24	obtaining retroactive Commission approvar for the Capital lease agreements.
25	Intervenor/Complainant respectfully moves the Commission to bar the Company's
26	Financing Application seeking retroactive approval of Capital leases with Nile River
27	Leasing and Financial Pacific Leasing. ARS S40-301 and ARS S40-302 require
28	approval of Capital leases before the Company signs leases, accepts equipment and
29	begins making payments, not after the fact.
30	begins making payments, not after the fact.
31	Dated this 15 <sup>th</sup> Day of April, 2013,
32	
33	( ) ( 5 1 ) must
34	June 3 d
35	John E. Dougherty
36	Intervenor/Complainant
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<sup>&</sup>lt;sup>1</sup> Intervener/Complainant has submitted affidavits from Nile River principle John Torbenson and Nile River administrative assistant Robin Richards stating Nile River did not enter into the March 16, 2012 lease agreements with Ms. Olsen. (See Exhibit 5 and 6, Motion for Partial Summary Judgment, April 15, 2013)

1		
2	Copies of the foregoing Mailed/Hand Deliv	ered
3	This 15 <sup>th</sup> Day of April, 2013 to:	
4		
5	Todd C. Wiley	Janice Alward
6	3003 N. Central Ave.	Arizona Corporation Commission
7	Suite 2600	1200 W. Washington St.
8	Phoenix, AZ 85012	Phoenix, AZ 85007
9		
10	Patricia D. Olsen, Manager	Steve Olea
11	Montezuma Rimrock Water Company	Arizona Corporation Commission
12	PO Box 10	1200 W. Washington St.
13	Rimrock AZ 86335	Phoenix, AZ 85007
14		
15	Lyn Farmer	
16	Arizona Corporation Commission	
17	1200 W. Washington St.	
18	Phoenix, AZ 85007	
19		
20		
21		
22		
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## EXHIBIT 1

Nile River Lease Pages 1-4

Financial Pacific Lease
5-9

Lessor: NILE RIVER 9526 N. 46 <sup>TH</sup> 9 PHOENIX, A2 Ph. (480) 607-	Z. 85028-				Lease Number
			or organization or, if an of principal residence.		
Quantity	Description, Model #, Catalog #, Serial #, or other Identification			ation	
Equipment Leased > 1 - ARSENIC BUILDING PLANT BUILDING CONSTRUCTION WITH ELECTRICAL CONNECTION - SIZE: 1		O X 20 X 10 FEET			
Equipment Location >4599 E. GOLDMINE RD., RIMROCK, AZ 86335					
Terms	Amount of Each Payment (plus Sales or Use Tax, if applicable) > \$ 342.09	Monthly Other Specify:	Terms of Lease >36	No. of Payments > 36	Advanced Payment/Security Deposit > \$ 734.46

#### TERMS AND CONDITIONS OF LEASE

- 1. LEASE. Lessee hereby leases from Lessor, and Lessor leases to Lessee, the equipment and other property described above, together with any replacement parts, additions, repairs or accessones now or licreaffer incorporated in or affixed thereto (hereinaffer referred to as the 'Equipment').
- 2. ACCEPTANCE OF EQUIPMENT. Lessee agrees to inspect the Equipment and to execute an Acknowledgement and Acceptance of Equipment by Lessee notice, as provided by Lessor, after the Equipment has been delivered and after Lessee it satisfied that the Equipment is satisfactory in every respect. Lessee hereby authorizes Lessor to insert in this Lease serial numbers or other identifying data with regard to the Equipment.
- 3. DISCLAIMER OF WARRANTIES AND CLAIMS, LIMITATION OF REMEDIES. THERE ARE NO WARRANTIES BY OR ON BEHALF OF LESSOR—Lessee acknowledges and agrees by his signature below as follows: (a) LESSOR MAKES NO WARRANTIES EITHER EXPRESSED OR IMPLIED AS TO THE CONDITION OF THE EQUIPMENT, ITS MERCHANTABILITY, ITS FITNESS OR SUITABILITY FOR ANY PARTICULAR PURPOSE, ITS DESIGN, ITS CAPACITY, ITS QUALITY, OR WITH RESPECT TO ANY CHARACTERISTICS OF THE EQUIPMENT; (b) Lessee has fully inspected the Equipment which it has requested Lessor to acquire and lease to Lessee, and the Equipment is in good condition and to Lessee's complete satisfaction; (c) Lessee leases the Equipment "as is" and with all faults; (d) Lessee specifically acknowledges that the Equipment is leased to Lessee solely for commercial or business purposes and not for personal, family, household, or agricultural purposes; (e) LESSEE SHALL HAVE NO REMEDY FOR CONSEQUENTIAL OR INCIDENTAL DAMAGES AGAINST LESSOR; and (f) NO DEFECT, DAMAGE, OR UNFITNESS OF THE EQUIPMENT FOR ANY PURPOSE SHALL RELIEVE LESSEE OF THE OBLIGATION TO PAY RENT OR RELIEVE LESSEE OF ANY OTHER OBLIGATION UNDER THIS LEASE.
- 4. ASSIGNMENT BY LESSEE PROHIBITED. WITHOUT LESSOR'S PRIOR WRITTEN CONSENT, LESSEE SHALL NOT ASSIGN THIS LEASE OR SUBLEASE THE EQUIPMENT OR ANY INTEREST THEREIN, OR PLEDGE OR TRANSFER THIS LEASE, OR OTHERWISE DISPOSE OF THE EQUIPMENT COVERED HERBBY.
- 5: COMMENCEMENT; RENTAL PAYMENTS; INTERIM RENTALS. This Lease shall commence upon the written acceptance hereoftly-Lessor and shall end upon the full performance and observance by Lesse of each and every term, condition and covenant set forth in this Lease, any Schedules hereto and any extensions hereof. Rental payments shall be in the amounts and frequency as set forth on the face of this Lease or any Schedules hereto. In addition to regular rentals, Lessee shall pay to Lessor interim rent for the use of the Equipment prior to the due date of the first payment. Interim rent shall be in an amount equal to 1/30th of the monthly rental, multiplied by the number of days elapsing between the date in which the Equipment is accepted by Lessee and the commencement date of this Lease, together with the number of days elapsing between commencement of the Lease and the due date of the first payment. The payment of interim rent shall be due and payable upon Lessee's receipt of invoice from Lessor. The rental period under the Lease shall terminate following the last day of the term stated on the face hereof or in any Schedule hereto unless such Lease or Schedule has been extended or otherwise modified, Lessor shall have no obligation to Lessee under this Lease if the Equipment, for whatever reason, is not delivered to Lessee within ninety (90) days after Lessee signs this Lease.

### THIS LEASE IS NOT CANCELABLE OR TERMINABLE BY LESSEE.

LESSEE UNDERSTANDS AND ACKNOWLEDGES THAT NO BROKER OR SUPPLIER, NOR ANY SALESMAN, BROKER, OR AGENT OF ANY BROKER OR SUPPLIER, IS AN AGENT OF LESSOR OR BROKER OR SUPPLIER, NOR ANY SALESMAN, BROKER, OR AGENT OF ANY BROKER OR SUPPLIER, IS AUTHORIZED TO WAIVE OR ALTER ANY TERM OR CONDITION OF THIS LEASE, AND NO REPRESENTATION AS TO THE EQUIPMENT OR ANY OTHER MATTER BY THE BROKER OR SUPPLIER, NOR ANY SALESMAN, BROKER, OR AGENT OF ANY BROKER OR SUPPLIER, SHALL IN ANY WAY AFFECT LESSEE'S DUTY TO PAY THE RENTALS AND TO PERFORM LESSEE'S OBLIGATIONS SET FORTH IN THIS LEASE.

- 6. CHOICE OF LAW. This Lease shall not be effective until signed by Lessor at its principal office listed above, This Lease shall be considered to have been made in the State of Arizona and shall be interpreted in accordance with the laws and regulations of the State of Arizona. Lessee agrees to jurisdiction in the State of Arizona in any action, suit, arbitration or proceeding regarding this Lease. In the event of any legal action with regard to the Lease or the Equipment covered hereby, Lessee agrees that venue shall be maintained in Maricona County, Arizona.
- 7. SECURITY DEPOSIT. As security for the prompt and complete payment of the amounts due under this Lease, and Lessee's complete performance of all its obligations under this Lease, and any extension or renewal hereof. Lessee has deposited with Lessor the amount set forth in the section shown as "Security Deposit." In the event any default shall be made in the performance of any Lessee's obligations under this Lease, Lessor shall have the right, but shall not be obligated, to apply the security deposit to the curing of such default. Within 15 days after Lessor mails notice to Lessee that Lessor has applied any portion of the security deposit to the amount of any default, Lessee shall restore said security deposit to the full amount set forth above. On the expiration or cancellation of this Lease, or any extension or renewal hereof, provided Lessee has paid all of the rent called for and fully performed all other provisions of this Lease, Lessor will return to the Lessee any then remaining balance of said security deposit, without interest. Said security deposit may be commingled with Lessor's other funds.
- 8. LIMITED PREARRANGED AMENDMENTS; SPECIFIC POWER OF ATTORNEY. In the event it is necessary to amend the terms of the Lease to reflects a change in one or more of the following conditions: (a) Lessor's actual cost of providing the Equipment to Lessee, or (b) A change in rental payments, or (c) Description of the Equipment, then Lessee state any such amendment shall be described in a letter from Lessor to Lessee, and unless within 15 days after the date of such letter Lessee objects in writing to Lessor, this Lease shall be deemed amended and such amendments shall be incorporated in this Lease herein as if originally set forth. Lessee grants to Lessor a specific power of attorney for Lessor to use as follows: (f) Lessor may sign and file on Lessee's behalf any document Lessor deems necessary to perfect or protect Lessor's interest in the Equipment or pursuant to the Uniform Commercial Code; and (ii) Lessor may sign, endorse or negotiate for Lessor's benefit any instrument representing proceeds from any policy of insurance covering the Equipment.
- 9. LOCATION. The Equipment shall be kept at the location specified above, or, if none is specified, at Lessee's address as set forth above and shall not be removed without Lessor's prior written consent. Notwithstanding this provision, should Lessee change the location of the Equipment without first obtaining Lessor's consent, then Lessee shall immediately provide Lessor with the new location of the Equipment.
- 10. USE. Lessee shall use the Equipment in a careful manner, make as necessary repairs at Lessee's expense, shall comply with all laws relating to its possession, use, or maintenance, and shall not make any alterations, additions, or improvements to the Equipment without Lessor's prior written consent. All additions, repairs or improvements made to the Equipment shall belong to Lessor.
- 11. OWNERSHIP; PERSONALTY. The Equipment is, and shall remain, the property of Lessor, and Lessee shall have no right, title, or interest in the Equipment except as expressly set forth in this Lease.

LESSEE ACKNOWLEDGEMENTS. Lessee acknowledges the following: (a) Lessee's full and accurate legal name is as provided on page one of this Lease; (b) Lessee is a corporation ( )/natividual ( ); (c) Lessee is (if an organization) duly organized, validly existing and in good standing under the laws of the jurisdiction set forth on page one of this Lease.

LESSEE: MONTEZUMA RIM<del>RO</del>SK WATER COMPANY LLC

LESSOR: WHIE RIVER LEASING, L.L.C.

3824-0

- 12. SURRENDER. By this Lease, Lessee acquires no ownership rights in the Equipment, and has no option to purchase same unless said option is incorporated herein by an attached Rider. Upon the expiration or earlier termination or cancellation of this Lease, or in the event of a default under Paragraph 20 hereof, Lessee, at its expense, shall return the Equipment in good repair, ordinary wear and tear resulting from proper use thereof alone excepted, by delivering it, packed and ready for shipment, to such place as Lessor may specify.
- 13. RENEWAL. As the expiration of the Lease, Lessee shall return the Equipment in accordance with Paragraph 12 hereof. At Lessor's option, this Lease may be continued on a month-to-month basis until 30 days after Lessee returns the Equipment to Lessor. In the event the Lease is so continued, Lessee shall pay to Lessor rentals in the same periodic amounts as is indicated under the section entitled Amount of Each Payment above.
- 14. LOSS AND DAMAGE. Lessee shall at all times after signing the Lease bear the entire risk loss, theft, damage or destruction of the Equipment from any cause whatsoever, and no loss, theft, damage or destruction of the Equipment shall relieve Lessee of the obligation to pay tent or to comply with any other-obligation under this Lease, in the event-of-damage to any part-of the Equipment, Lessee shall immediately place the same in good repair as Lessee's expense. If Lessoe determines that any part of the Equipment is lost, stolen, destroyed, or damaged beyond repair, Lessee shall, at Lessee's option, do one of the following: (a) Replace the same with like equipment in good repair, acceptable to Lessor; or (b) Pay Lessor in cash the following: (i) all amounts due by Lessee in Lessor under this Lease up to the date of the loss; (ii) the accelerated balance of the total amounts due for the remaining term of this Lease attributable to said item, discounted to present value at a discount rate of 6%, as of the date of loss; and (iii) the Lessor's estimate as of the time the Lease was entered into of Lessor's residual-interest in the Equipment, discounted to present value at a discount rate of 6%, as of the date of loss, Upon Lessor's receipt of payment as est forth above. Lessée shall be entitled to receive title to the Equipment without any warmanies. If insurance proceeds are used to fully comply with this subparagraph, the balance of any such proceeds shall go to Lessee to compensate for loss of use of the Equipment for the remaining term of the Lease.
- 15. INSURANCE; LIENS; TAXES. Lessee shall provide and maintain insurance against loss, theft, damage, or destruction of the Equipment in an amount not less than the full replacement value of the Equipment, with loss payable to the Lessor. Lessee also shall provide and maintain comprehensive general all-risk liability insurance including but not limited to product liability coverage, instifung Lessor and Lessee, with a severability of interest endorsement, or its equivalent; against any and all loss or liability for all damages, either to persons or property or otherwise, which might result in or happen in connection with the condition, use, or operation of the Equipment, with such limits and an insurer satisfactory to Lessor. Each policy shall expressly provide that said insurance as to Lessor and its assigns shall not be invalidated by any act, omission, or neglect of Lessee and cannot be canceled without 30 days prior written notice to Lessor. As to each policy Lessee shall furnish to Lessor a certificate of insurance from the insurer, which certificate shall evidence the insurance coverage required by the paragraph Lessor shall have no obligation to ascertain the existence of or provide any insurance coverage for the Equipment or for Lessee's benefit, if Lessee fails to provide the insurance, Lessor will have the right, but no obligation, to have such insurance and any customary charges or fees of Lessor's or its designee associated with such insurance.

Lessee shall keep the Equipment free and clear of all levies, liens, and encumbrances. Lessee shall pay all charges and taxes (local, state, and federal) which may now or hereafter be imposed upon the ownership, leasing, rental, sale, purchase, possession, or use of the Equipment; excluding, however, all taxes on or measured by Lessor's net income. If Lessee fails to pay said charges or taxes, Lessor shall have the right, but shall not be obligated, to pay such charges or taxes. In that event, Lessor shall notify Lessee of such payment and Lessee is likely to Lessor the cost thereof within 15 days after such notice is mailed to Lessee.

- 16. INDEMNITY. Lessee shall indemnify Lessor against any claims, actions, damages or liabilities, including all attorney fees incurred out of or connected with the Equipment, without limitation. Such indemnification shall survive the expiration, cancellation, or termination of this Lesse. Lessee waives any immunity Lessee may have under any industrial insurance act, with regard to indemnification of Lessor.
- 17. ASSIGNMENT BY LESSOR. Any assignee of Lessor shall have all of the rights but none of the obligations of Lessor under this Lease. Lessee shall recognize and hereby consents to any assignment of the Lease by Lessor, and shall not assert against the assignee any defense, counterclaim, or setoff that Lessee may have against Lessor. Subject to the foregoing, this Lease inures to the benefit of and is binding upon the heirs, devisees, personal representatives, survivors, successors in interest, and assigns of the parties hereto,
- 18. SERVICE CHARGES; INTEREST. If Lesses shall fail to make any payment required by the Lease within 10 days of the due date thereof, Lesses shall pay to Lessor a service charge of 10% of the amount due per month, minimum 25.00 for each month that the payment remains definiquent. In addition, Lesses shall pay to Lessor any actual additional expenses incurred by Lessor in collection efforts, including but not limited to long-distance telephone charges and travel expenses. Lesses shall pay to Lessor interest on any delinquent payment or amount due under this Lease from the due date thereof until paid, at the lesser of the maximum rate of interest allowed by law or 24% per annum.
- 19. . . TIME OF ESSENCE. Time is of the essence of the Lease, and the provision shall not be impliedly waived by the acceptance on occasion of late or defective performance.
- DEFAULT. Lessee shall be in default if: (a) Lessee shall fail to make any payment due under the terms of this Lesse for a period of 10 days from the due date thereof; or (b) Lessee shall fail to observe, keep or perform any other provision of the Lease, and such failure shall continue for a period of 10 days; or (c) Lessee has made any misleading or false statement in connection with application for or performance of the Lease; or (d) The Equipment or any part thereof shall be subject to any lien, levy, seizure, assignment, transfer, bulk transfer enoumbrance, application, attacliment, execution, sublease, or sale without prior written consent of Lessor, or (e) Lessee dies or ceases to exist, or (f) Lessee defaults on any other agreement it has with Lessor; or (g) Any guarantor of the Lease defaults on any obligation to Lessor, or any to the above listed events of default occur with respect to any guarantor of any such guarantor files or has filed against it a petition under the bankruptcy laws.
- REMEDIES: If Lessee is in default, Lessor, with or without notice to Lessee, shall have the right to exercise any one or more of the following remedies, concurrently or separately, and without any election of remedies being deemed to have been made: (a) Lessor may enter upon Lessee's premises and, without any court order or other process of law, may repossess and remove the Equipment, or render the Equipment unusable without removal, either with or without notice to Lessee. Lessee hereby waives any frespass or right of action for damages by reason of such entry, removal or disabling. Any such repossession shall not constitute a termination of the Lease unless Lessor so notifies Lessee in writing; (b) Lessor may require Lessee, at its expense, to return the Equipment in good repair, ordinary wear and tear resulting from proper use thereof excepted, by delivering it, packed and ready for shipment, to such place as Lessor may specify; (c). Lessor may cancel or terminate this Lease and may retain any and all prior payments paid by Lessee; (d) Lessor may declare all sums due and to become due under the Lease immediately due and payable without notice or demand to Lessee; (e) Lessor may re-lease the Equipment, without notice or demand to Lessee; (e) Lessor may re-lease the Equipment, without notice to Lessee, at private or public sale, at which sale Lessor may be the purchaser with respect to any exercise of Lessor of its right to recover and/or dispose of any Equipment or other collateral securing Lessee's obligations under this Lease, Lessee acknowledges and agrees as follows: (i) Lessor shall have no obligation, subject to the requirements of commercial reasonableness, to clean-up or otherwise prepare the Equipment or any other collateral for disposition, (ii) Lessor may comply with any applicable state or federal law requirements in compection with any disposition of such Equipment or other collateral; (f) Lessor may suc for and recover from Lessee the sum of all unpaid rents and other payments due under the Leas

No right or remedy herein conferred upon or reserved to Lessor is exclusive of any other right or remedy herein, or by law or by equity provided or permitted, but each shall be cumulative of every other right or remedy given herein or now or hereafter existing by law or equity or by statute or otherwise, and may be enforced concurrently therewith or from time to time. No single or partial exercise by Lessor of any right or remedy hereunder shall preclude any other or further exercise of any other right of remedy.

- .22. MULTIPLE LESSES. Lessor may, with the consent of any one of the Lessees hereunder, modify, extend, or change any of the terms hereof without consent or knowledge of the others, without in any way releasing, waiving, or impairing any right granted to Lessor against the others. Lessees and each of them are jointly and severally responsible and liable to Lessor under the Lesse.
- 23. EXPENSE OF ENFORCEMENT. In the event of any legal action with respect to the Lease, the prevailing party in any such action shall be entitled to reasonable attorney fees, including attorney fees incurred at the trial level, including action in bankruptcy court on appeal or review, or incurred without action, suits or proceedings, together with all costs and expenses incurred in pursuit thereof.
- 24. ENTIRE AGREEMENT, NO ORAL MODIFICATIONS; NO WAIVER. This instrument constitutes the entire agreement between Lessor and Lessee. No provision of the Lease shall be modified or rescinded unless in writing signed by a representative of Lessor. Waiver by Lessor of any provision hereof in one instance shall not constitute waiver as to any other instance.
- 25.—— SEVERABILITY. This Lease is intended to constitute a valid and enforceable legal instrument, and no provision of this Lease that may be deemed unenforceable shall in any way invalidate any other provision or provisions hereof, all of which shall remain in full force and effect.

CERTIFICATE OF AUTHO
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The undersigned, being the duly elected MEMBER of the Company named in the foregoing Lease, hereby certifies that: (a) PATRICIAD. OLSEN, in his/her capacity as MANAGING MEMBER of the Company, is authorized by the Bylaws or other organizational documents of the Company, or by a resolution duly adopted or other authorization properly given by the Board of Directors, the Managers, the Managers, the Managing Member(s) or the Managing Partner(s) of the Company, as applicable, in accordance with the Bylaws or other organizational documents of the Company, to negotiate execute and deliver on behalf and in the name of this Company, the Commercial Lease, (b), that such authorization has not been revoked and continues in full force and effect, (c) that the execution of such documents by stoln officer sliall be conclusive evidence of his/her approval thereof and (d) this Lease and such other documents constitute legal and binding obligations of the Company. IN WITNESS WHEREOF, I have affixed my name as MEMBER of the Company on the date set forth below.

Printed Name
>PATRICIA D. OLSEN

Signature BOS

Date 3/22//2

## RIDER NO. 2

To and part of Lease Agreement dated as of the day of work (the "Lease"), between NILE RIVER LEASING, L.L.C. its successors and assigns ("Lessor"), and MONTEZUMA RIMROCK WATER COMPANY LLC ("Lessee").

Provided that no Default or Event of Default has then occurred, Lessee shall have the option to purchase, upon the expiration of the original term of this Lease ("Termination Date"), all but not less than all of the Equipment upon the following terms and conditions: If Lessee desires to exercise this option it shall give Lessor written notice of its election to purchase at least thirty (30) days and not more than ninety (90) days before the Termination Date set forth in the Lease. On the Termination Date, Lessee shall pay to Lessor in cash any Rent due on that date plus the purchase price for the Equipment so purchased, determined as hereinafter provided. The purchase price of the Equipment shall be an amount equal to \$ 1.00 together with all taxes and charges upon sale. Lessor and Lessee agree that the purchase price represents a reasonable prediction of the Fair Market Value of the Equipment at the time the option is exercisable.

NILE RIVER LEASING, L.L.C.

Lessor

Ву:

Name Title MONTEZUMA RIMROCK WATER COMPANY LLC

Lessee

Name: PATRICIA D. OLSEN

### DELIVERY AND ACCEPTANCE CERTIFICATE

Re: MONTEZUMA RIMROCK WATER COMPANY LLC

Lease No.: 6/00/

To Lessor: NILE RIVER LEASING, L.L.C.

All of the items referred to in the above-referenced Lease have been delivered to and have been received by the undersigned. All installation or other work necessary prior to the use thereof has been completed. Said equipment has been examined and/or tested and is in good operating order and condition, and is in all respects satisfactory to the undersigned and is as represented.

Said equipment has been accepted by the undersigned and complies with all terms of the Lease.

In the future, even if the equipment fails to perform as expected or represented, we will continue to honor the above-referenced. Lease by continuing to make our periodic payments in the normal course of business, and we will look solely to the seller or annufacturer for the performance of all covenants and warranties. In addition, we agree to indemnify and hold harmless and defend the Lessor from such nonperformance of all the aforementioned equipment.

We acknowledge the Lessor is neither the manufacturer, distributor, or seller of all the equipment and has no control, knowledge, or familiarity with the conditioning, capacity, functioning, or other characteristics of the equipment.

NOTICE TO THE LESSEE: DO NOT SIGN THIS ACCEPTANCE UNTIL THE EQUIPMENT HAS BEEN DELIVERED, ASSEMBLED, INSTALLED AND ACCEPTED BY YOU AS SATISFACTORY IN ALL RESPECTS: PAYMENT TO THE SUPPLIER WILL NOT BE MADE UNTIL THIS NOTICE IS SIGNED AND RETURNED TO THE LESSON.

EQUIPMENT: 1 - ARSENIC BUILDING PLANT - BUILDING CONSTRUCTION WITH ELECTRICAL CONNECTION - SIZE: 10 X 20 X 10.

LESSEE: MONTEZUMA BIMROCK WATER COMPANY LLC	to the second second second
Title: MANAGING MEM	BER Date: 5/10/2012
Patricia D. Olsen	
PHONE # (928) 592-9211 CELL # (928) 300-3291	·
EMAIL: Patsy @ MontezumaWater.com	
I hereby authorize	(title) to verbally
verify my/our acceptance of the above-referenced equipment in my absence.	a the Same of the same of
PHONE # ()	

3824-0

## **LEASE AGREEMENT**

For internal use only.

This document is subject to a security interest in favor of Wells Fargo Capital Finance, LLC as Collateral Agent for the Secured Parties

LEASE #: 196680.001	Ç <b>≓</b> €÷	as Collateral Agent for the Secured Parties
LESSEE - District Control of the con	VENDOR/SUPPLIER	
MONTEZUMA RIMROCK WATER COMPANY LLC BILLING ADDRESS: PO BOX 10 RIMROCK, AZ 86335 COUNTY: YAVAPAI	KEVLOR DESIGN GROUI 430 FITZGERALD PLACE ATLANTA, GA 30349	P, LLC (1998) (1998) (1998) (1998) (1998) (1998) (1998) (1998) (1998) (1998) (1998) (1998) (1998) (1998) (1998)
EQUIPMENT DESCRIPTION (Attach separate Equipment List if n	eeded) 🗵 new	er 🖸 used eer schippen var eer veren van
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EQUIPMENT LOCATION. Complete only if Equipment will not be located and ADDRESS: 4599 E. GOLDMINE RD., RIMROCK, AZ 86335	at Lessee's address above.	
ADDRESS: 4088 E. GOLDWINE KD., KIMKOCK, AZ 00000		
SCHEDULE OF LEASE PAYMENTS	and the second s	andronia de la companya de la compa Esta de la companya
Lease Term Number of Amount of Each Lease Payment X Num		Security = Initial Amount   Option Price/
(Months) Payments Rental Tax Total Prepayn	nenu(s)	Purchase
60 60 \$1,058.18 \$77.78 \$1,135.96 2	\$420.00	\$0.00 \$2,691.92 \$1.00
Payment Due Date Pro rata rental is calculated as follows: (Monthly Rental 1st XI 15th Between Acceptance Date And First Payment Date) 15/2012 THIS LEASE AGREEMENT ("Lease") IS SUBJECT TO THE TERMS AND COP WHICH ARE MADE A PART HEREOF AND WHICH LESSEE ACKNOWL	) = Total. Pro rata rental is billed	on your first invoice:
THIS LEASE, WHICH CONSISTS OF 5 PAGES, IS NOT BINDING L	INTIL ACCEPTED BY LES	ŠOR., repro – Zery – su 14. s. segali.
LESSEE: MONTEZUMA RIMROCK WATER COMPANY LLC	LESSOR: FINANCIAL	PACIFIC LEASING, LLC
Matricia DOC	By YUOUU	1 Byl
PATRICIA D. OLSEN, MEMBER AND INDIVIDUALLY	(Signature Only)	
	Bahno	I WZ.
(Date)	(Title)	

THIS IS A NON-CANCELABLE LEASE FOR THE TERM INDICATED

Lessor, hereby Leases to Lessee, and Lessee hereby hires and takes from Lessor all property described in this Lease or hereafter and made a part hereof (collectively, together with any substitutions or replacements thereto, the "Equipment").

1. ENTIRE AGREEMENT. This Lease constitutes the entire agreement between Lessor and Lessee. No oral agreement, guarantee, promise, condition, representation or warranty shall be binding on Lessor. All prior conversations, agreements or representations related hereto and/or to the Equipment are integrated herein. No modification hereof shall be binding unless in writing and signed by Lessor.

CONTINUED ON FOLLOWING PAGES

- 2. LESSEE REPRESENTATIONS. Lessee acknowledges that no salesman or agent of the supplier of the equipment is authorized to waive or alter any term or condition of this Lease and no representation as to the Equipment or any matter by the Supplier shall in any way effect Lessee's duty to pay the Lease payments and perform its other obligations as set forth in this Lease. Lessee represents that its exact legal name, state of formation, location of its chief executive office and/or its place of residence as applicable have been correctly identified to Lessor.
- 3. STATUTORY FINANCE LEASE. Lessee agrees and acknowledges that it is the Intent of both parties to this Lease that it qualify as a statutory finance Lease under Article 2A of the Uniform Commercial Code. Lessee acknowledges and agrees that Lessee has selected both: (1) the Equipment; and (2) the Supplier from whom Lessor is to purchase the Equipment. Lessee acknowledges that Lessor has not participated in any way in Lessee's selection of the Equipment or of the Supplier, and Lessor has not selected, manufactured, or supplied the Equipment.
- LESSEE IS ADVISED THAT IT MAY HAVE RIGHTS UNDER THE CONTRACT EVIDENCING LESSOR'S PURCHASE OF THE EQUIPMENT FROM THE SUPPLIER CHOSEN BY LESSEE AND THAT LESSEE SHOULD CONTACT SUCH SUPPLIER FOR A DESCRIPTION OF ANY SUCH RIGHTS.
- 4. ASSIGNMENT BY LESSEE PROHIBITED WITHOUT LESSOR'S PRIOR WRITTEN CONSENT. LESSEE SHALL NOT ASSIGN THIS LEASE OR ANY INTEREST THEREIN, OR SUBLEASE THE EQUIPMENT, OR PLEDGE OR TRANSFER THIS LEASE, OR OTHERWISE DISPOSE OF THE EQUIPMENT COVERED HEREBY.
- 5. APPLICABLE LAW AND VENUE. ALL MATTERS INVOLVING THE CONSTRUCTION, VALIDITY, PERFORMANCE, OR ENFORCEMENT OF THIS LEASE SHALL BE GOVERNED BY THE LAWS OF THE STATE OF WASHINGTON. LESSEE CONSENTS TO THE PERSONAL JURISDICTION OF THE COURTS OF THE STATE OF WASHINGTON AND AGREES THAT AT LESSOR'S SOLE OPTION, JURISDICTION AND LOCATION FOR ANY DISPUTE, SUIT OR ACTION ARISING UNDER OR IN RELATION TO THE LEASE, AND ALL DOCUMENTS EXECUTED IN CONNECTION THEREWITH, SHALL BE IN KING COUNTY, STATE OF WASHINGTON. LESSEE WAIVES THE RIGHT OF JURY TRIAL. LESSOR SHALL HAVE THE OPTION OF COMMENCING AN ACTION IN ANY COURT HAVING JURISDICTION OVER THE SUBJECT MATTER AND PARTIES TO THE TRANSACTION
- 6. NO WARRANTY. Lessor, not being the manufacturer of the equipment, nor manufacturer's agent, MAKES NO WARRANTY OR REPRESENTATION. EITHER EXPRESS OR IMPLIED, AS TO THE FITNESS FOR A PARTICULAR USE OR OTHERWISE, QUALITY, DESIGN, CONDITION, CAPACITY, SUITABILITY, MERCHANTABILITY OR PERFORMANCE OF THE EQUIPMENT OR OF THE MATERIAL OR WORKMANSHIP THEREOF, IT BEING AGREED THAT THE EQUIPMENT IS LEASED "AS IS" AND THAT ALL SUCH RISKS, AS BETWEEN LESSOR AND LESSEE, ARE TO BE BORNE BY LESSEE AT ITS SOLE RISK AND EXPENSE. Lessee accordingly agrees not to assert any claim whatsoever against Lessor based thereon. In addition, Lessee waives any and all rights and remedies conferred by UCC 2A-508 through 2A-522, including, but not limited to Lessee's right to (a) cancel or repudiate the Lease; (b) reject or revoke acceptance of the Equipment; (c) deduct from rental payments all or any part of any claimed damages resulting from Lessor's default under the Lease; (d) recover from Lessor any general, special, incidental, or consequential damages, for any reason whatsoever. Lessee further waives any and all rights, now or hereafter conferred by statute or otherwise, that may require Lessor to sell, re-lease, or otherwise use or dispose of the Equipment in mitigation of Lessor's damages or that may otherwise limit or modify any of Lessor's rights or remedies hereunder.
- 7. TERM. The initial term of this Lease is set forth on the first page of this Lease. The term begins on the earlier of the following dates: (a) the date Lessee requests Lessor to make payment to the Supplier; or (b) the Acceptance Date as indicated on the Inspection/Verification Certificate:
- 8. END OF TERM OPTIONS. If the option exists and so long as no Event of Default exists, Lessee may, at the end of the original or any renewal term, purchase all (but not less than all) the Equipment by paying the option price set forth in the Schedule of Lease Payments plus any applicable taxes and fees. If option price is designated as a Guaranteed Purchase, Lessee shall be required to purchase the Equipment, rather than have an option to do so. If no option price is indicated, Lessor will use its reasonable judgment to determine the Equipment's fair market value. Upon payment of the Fair Market Value price and applicable taxes and fees, Lessor's interest in the Equipment shall terminate and Lessee shall accept the Equipment "AS IS, WHERE IS" without any representation of warranty whatsoever.
- 9. LEASE PAYMENT; SECURITY DEPOSIT. The lease payments for the Equipment leased shall be in the amount designated in the schedule of payments and shall commence on the indicated payment due date immediately following the Equipment Acceptance Date. Lessee shall pay Lessor said lease payments on or before the due date, at the office of Lessor or to such other person or place as Lessor may designate in writing. Lessee agrees to pay pro rate rental (based on the monthly lease payments) for the period from the Acceptance Date, to the due date of the first payment. Said pro rate rental shall be in addition to the first payment and shall be made simultaneously with the first payment. Prepayments are credited with one payment being applied to the first month's rental and any other prepayments, then applied to the last month(s) rental(s). Any security deposit shall remain assecurity for performance of all the terms and conditions of this Lease. In the event any default shall be made in the performance of any of Lessee's obligations under this Lease, Lessor shall have the right, but shall not be obligated, to apply the security deposit to the curing of such default. On the expiration or earlier termination or cancellation of this Lease, can yet ensure any then remaining balance of said security deposit, without interest. Said security deposit may be commingled with Lessor's other funds.
- 10. LATE CHARGES AND COLLECTION CHARGES. A late charge of 10% of the total monthly lease payment; or \$10, whichever is greater, will be assessed when a payment is not received on or before the due date. An additional late charge will be assessed for each month a payment remains unpaid. If Lessee's delinquency requires additional collection efforts, a charge will be assessed in accordance with Lesser's collection charge schedule. In addition, Lessee shall be assessed for any charges levied by an outside collection agency following Lessee's default.
- 11. LOCATION AND USE OF EQUIPMENT. Lessee shall keep the equipment at the location designated in the Lease, unless Lessor, in writing, permits its removal. The Equipment shall be used solely in the conduct of Lessee's business. Lessee shall notify Lessor if equipment is used for transporting or storing product considered hazardous material. Lessee warrants that Equipment is leased for commercial or business purposes and not for consumer; personal, home or family purposes.
- 12. SURRENDER OF EQUIPMENT. At the expiration of the term of this lease, or upon demand by Lessor pursuant to Paragraph 19 of this Lease or in the event of an option price pursuant to paragraph 8 of this Lease, Lessee at its expense shall return the Equipment in proper working order, condition and repair by delivering it packed and ready for shipment to such place or on board such carrier as Lessor may specify. WARNING: FAILURE TO RETURN THE EQUIPMENT MAY RESULT IN CRIMINAL PROSECUTION AND/OR ADDITIONAL RENTAL CHARGES, ON A MONTH TO MONTH BASIS, UNTIL THE EQUIPMENT IS RECOVERED BY LESSOR.
- 13. NOTICES. Services of all notices under this agreement shall be sufficient if given personally or malled to Lessor at 3455 S. 344th Way, Suite 300, Federal Way, WA 98001, or P.O. Box 4568, Federal Way, WA 98063, or to Lessoe at Lessoe's address set forth above or at such other address as a party may provide in writing from time to time. Any notices required by this Lease shall be deemed to be delivered when a record properly directed to the

CONTINUED ON FOLLOWING PAGES

intended recipient has been (a) deposited with the US Postal Service, (b) transmitted by facsimile, (c) transmitted through the internet, or (d) has been personally delivered.

- 14. LIABILITY AND INDEMNITY; LOSS AND DAMAGE. Lessee shall indemnify and hold Lessor harmless from liability expense of every kind or nature from whatever cause, including, but not limited to, the liability arising under any statute, ordinance or regulation in connection with the use of the Equipment and from all liability on account of any claim for personal injury, death, or property damage to any person or party whatsoever; including Lessee, arising out of the manufacture, selection, operation, use, maintenance, or delivery of the Equipment. Such indemnification shall survive the expiration, cancellation, or termination of this Lease. Lessee hereby assumes and shall bear the entire risk of loss and damage to the Equipment from any cause whatsoever, regardless of whether the loss is insured. In the event of loss or damage to the Equipment, or to any part thereof, Lessee, at the option of the Lessor, shall (a) Replace the same in good condition, repair and working order; or (b) Replace the same, with like property of the same or greater value provided, however, at Lessee's option, the remaining obligation under this Lease can be satisfied by the payment of the remaining unpaid lease payments and the estimated value of the Equipment at the expiration of this Lease, and other amounts due under the Lease, less the net amount of the recovery, if any, actually received by Lessor from Insurance or otherwise for such loss or damage. Except as expressly provided in this paragraph, total or partial destruction. of any of the Equipment or total or partial loss of use or possession thereof to Lessee shall not release or relieve Lessee from the duty to pay the lease payments herein provided.
- 15 INSURANCE. Lessee, at its own expense, shall keep the Equipment Insured for the full term of this Lease and any renewals or extensions thereof, for the full insurable value thereof against all risks of loss or damage, and against such other risks in such amounts as Lessor may specify, including liability insurance, with limits not less than \$500,000 unless lessor specifies an increased amount due to the equipment location or use of equipment (bodily injury. and property damage) combined single limit. Provided, however, in those instances where Lessee is leasing the Equipment defined by Lessor as "mobile Equipment," Lessee shall procure and maintain, for the full lease term, all risk physical damage insurance as opposed to insurance against fire and theft, with extended or combined coverage. All insurance policies must provide that no cancellation shall be effective without thirty (30) days' prior written notice to Lessor. Lessee shall deliver to Lessor the policies or evidence of insurance with a standard form of endorsement attached thereto showing Lessor to be named as an additional insured, together with receipts for the premiums thereunder. Lessee shall, at the request of Lessor, name as Loss Payee such party who may have a security interest in the Equipment. Lessee agrees that any dispute regarding insurance charges will be determined by arbitration conducted under the rules of the American Arbitration Association in Seattle, Washington.
  - 16. LESSEE'S FAILURE TO PAY TAXES, INSURANCE, ETC. Should Lessee fall to make any payment or do any act as herein provided, then Lessor shall have the right, but not the obligation without notice to or demand upon Lessee, and without releasing Lessee from any obligation hereunder, to make or do the same and to pay, purchase, contest, or compromise any encumbrance, charge or lien which in the judgment of Lessor appears to affect the Equipment, and in exercising such rights, incur any liability and expend whatever amounts in its absolute discretion it may deem necessary therefore: Should Lessee fall to provide Lessor the policies or evidence of insurance described herein, Lessor shall have the right, but not the obligation, to secure insurance on the Equipment in such form and amount as Lessor deems reasonable to protect Lessor's interests. Lessee understands that, if Lessor secures insurance on the Equipment the insurance may not name Lessee as an insured and may not fully protect Lessee's interests. Lessee agrees that, if Lessor secures insurance on the Equipment, Lessee will pay an insurance charge that may be substantially higher than the premium that Lessee would pay if Lessee placed said insurance independently. Lessee agrees that, in addition to the premium, the insurance charge Lessee is required to pay Lessor will include an interest charge, administrative and processing fees, which will result in profit to Lessor and its agents. All sums so incurred or expended by Lessor shall be without demand immediately due and payable by Lessee and shall bear interest at eighteen percent (18%) per annum if not prohibited by law, otherwise at the highest lawful confract rate. The parties agree that any datm, dispute, or controversy regarding insurance or any fee charged by Secured Party for securing insurance or for any other action taken by Secured Party under this Agreement will, upon demand by either party, be submitted to binding arbitration conducted by the American Arbitration Association in Seattle, Washington; provided however, such agreement does not authorize class arbitration or entitle any party to bring third parties or other claims into the arbitration proceeding. This agreement to arbitrate certain claims does not limit the right of any party to commence or continue any legal action with respect to other claims arising under this Agreement.
  - 17. AUTHORITY TO SIGN. If Lessee is a Limited Liability Company ("LLC"), partnership or corporation, the person signing the Lesse on behalf of such LLC, partnership or corporation hereby warrants that (s)he has full authority from the LLC, partnership or corporation to sign this Lease and obligate the LLC, partnership or corporation.

### 18. DEFAULT REMEDIES.

- a) An event of default shall occur if:
- (1) Lessee falls to pay any Lesse installment and such failure continues for a period of ten (10) days;
- (2) Lessee shall fall to perform or observe any covenant, condition or obligation to be performed or observed by it hereunder and such failure continues uncured for fifteen (15) days; an that has been agreed in the West
- (3) Lessee or any guarantor has made any misleading or false statement, or representation in connection with application for performance of this Lease;
- (4) Lessee or any guarantor becomes insolvent or is the subject of a petition in bankruptcy or under any other insolvency law or law providing for relief of debtors, either voluntary or involuntary, or makes an assignment for the benefit of creditors, or is named in, or the Equipment becomes subjected to a suit for the appointment of a receiver, or any action is taken for the dissolution of Lessee, if Lessee be a corporation; Constitution of the second 1.00
- (5) If the Equipment is seized or levied upon under any legal or governmental process;
- (6) Lessee attempts to remove, sell, transfer, encumber, part with possession or subjet the Equipment or any item thereof without first obtaining Lessor's consent:
- (7): Lessee or any guarantor defaults in the performance of any obligation owed to Lessor under the provisions of any other agreement with the
- b) Upon the occurrence of an event of default, Lessor shall have the right to exercise any one or more of the following remedies:
- (1) To declare the entire unpaid lease payments and other sums payable by Lessee hereunder to be immediately due and payable;
- (2). Cause Lessee, at Lessee's expense; promptly to return any or all of the Equipment to Lessor, all without demand or legal process, and to allow Lessor to enter into the premises where the Equipment may be found and take possession of or remove the same, whereupon all rights of Lessee in the Equipment shall terminate absolutely; and
  - (I) Retain the Equipment and all lease payments made hereunder, or
- (ii) Retain all prior lease payments and sell the Equipment at public or private sale, with or without notice to Lessee. The sale price, less 10% to cover Lessor's internal costs, will be credited against the remaining unpaid lease payments, unpaid late charges, estimated value of Equipment at the expiration of the lease term, charges for retaking, storage, repairing and reselling the Equipment, reasonable attorney's fees incurred by Lessor and other amounts due under the Lease in such order as Lessor in its sole discretion shall determine. Lessee shall remain liable for the deficiency and any surplus remaining after such application of proceeds of sale shall be

- paid to whospever may be lawfully entitled to receive the same; or
- (iii) Retain the Equipment and all prior payments, with Lessee remaining liable for the unpaid lease payments, unpaid late charges, charges for retaking and restoring Equipment to proper order and working condition, reasonable attorney's fees incurred by Lessor, together with other amounts due under the Lease; or
- (iv) Lease the Equipment for any portion thereof, for such period, rental, and to such persons as Lessor shall select; and credit Lessee with an amount equal to Lessor's capital cost of this new lease, less ten percent (10%) after declaring all costs and expenses incurred in connection with the recovery, repair, storage and leasing of the Equipment against obligations due from Lessee to Lessor hereunder, with Lessee remaining responsible for any deficiency. It is agreed that the amounts to be retained by Lessor and the balance to be paid by Lessee under this paragraph (2) shall not be a penalty but shall be as and for liquidated damages for the breach of this Lease and as reasonable return for the use of the Equipment and for the depreciation thereof.
  - (3) No remedy hereon conferred upon or reserved to Lessor is intended to be exclusive of any other remedy herein or by law provided, but shall be cumulative and in addition to every other remedy available to Lessor. The forbearance on the part of Lessor to exercise any right or remedy available hereunder in the event of Lessee's default, or Lessor's fallure to demand punctual performance or any obligation of Lessee shall not be deemed a waiver (A) of any such right or remedy, or (B) the requirement of punctual performance, or (C) of any subsequent breach or default on the part of Lessee.
- 19. ATTORNEY'S FEES AND EXPENSE. In the event Lessor is required to retain an attorney to assist in the enforcement of its rights under this Lease, it shall be entitled to a reasonable attorneys fee, however incurred, in addition to costs and necessary disbursements, whether or not suit becomes necessary, including fees incurred on appeal or in connection with a bankruptcy proceeding.
- 20. OPERATION, MAINTENANCE AND REPAIR, Lessor shall not be obligated to install, erect, test, adjust, service or make repairs or replacements to the Equipment. Lessee shall bear the expense of all necessary repairs, maintenance, operation, and replacements required to be made to maintain the Equipment in proper working condition, using as a guide the maintenance program described in the owner's manual, if any, for each Item of Equipment and shall perform all maintenance required to insure full validation of a manufacturer's warranty on the Equipment. Lessee shall comply with all laws and regulations relating to ownership, possession, operation, use and maintenance of the Equipment. No Equipment shall be used contrary to its intended use, or the provisions of any insurance policy covering the Equipment.
- 21. TAXES. Lessee shall pay and discharge all sales, use, property and other taxes now or hereafter imposed by any taxing authority upon the Equipment based upon the ownership, leasing, renting, sale, possession or use thereof, whether the same be assessed to Lessor or Lessee, together with any penalties or interest in connection therewith, and will submit written evidence of the payment at Lessor's request. Sales or use tax due on rental payments shall be due at the same time as the rental payment. For those property taxes required to be filled by Lessor, Lessor will include the Equipment as property in the possession of Lessee for purposes of tax assessments. A processing fee of the greater of \$10.00 or 10% of the tax will be collected from Lessee for managing the payment of any taxes which are the responsibility of Lessee. Upon termination of the Lessee, Lessee will pay Lessor personal property tax bill is within \$500 of such estimate, then Lessor shall not seek reimbursement from Lessee for any underpayment, and Lessor may retain any overpayment. If the difference between such estimate and the actual tax bill exceeds \$500, Lessor shall refund or Lessee shall remit the entire difference.
- 22. LESSOR'S ASSIGNMENT. Lessor may assign all or any of Lessor's other rights hereunder. After such assignment, Lesse waives any right Lesse may have to claim or assert any defenses, setoffs or counterclaims against assignee of Lessor. Lessee will settle all claims arising out of alleged breach of warranties, defenses, setoffs and counterclaims it may have against Lessor directly with Lessor and not set up any such against Lessor's assignee. An assignee of Lessor shall not be obligated to perform any of Lessor's obligations under this Lease. Lessee, on receiving notice of any such assignment, shall abide thereby and make payment as may therein be directed. Following such assignment, solely for the purpose of determining assignee's rights hereunder, the term "Lessor" shall be deemed to include or refer to Lessor's assignee. Lessee acknowledges that the Equipment may be subject to a security interest which is prior to Lessee's interest in the Equipment.
- 23. TITLE; LESSEE'S INTEREST; GRANT OF SECURITY INTEREST. The Equipment is, and shall remain, the property of Lessor, and Lessee shall have no right, title or interest therein or thereto except as expressly set forth in this Lease. The Equipment is, and shall at all time be and remain, personal property notwithstanding that the Equipment or any part thereof may now be, or hereafter become, in any manner affixed or attached to real property. Lessee shall keep the equipment free of any liens, claims or encumbrances other than those in favor of Lessor. Lessee shall obtain the necessary permission from the owner of any real property where the Equipment is to be affixed to the reality or be deemed a fixture in order that the Equipment shall at all times be severable and removable there from by Lessor, free of any right, title, claim or interest of the property owner and of Lessee except as herein provided. In addition to all of the other rights of Lessor under this Lease, Lessee grants to Lessor a security interest in and to the Leased Property and all proceeds thereof (including insurance proceeds) as security for performance of all of Lessee's obligations to Lessor of every kind and nature, now existing or hereafter arising, including, but not limited to, Lessee's obligations under this Lease, and under any other agreement with Lesson.
  - 24. LIMITED PREARRANGED AMENDMENTS; AUTHORIZATION; SPECIFIC POWER OF ATTORNEY: In the event it is necessary to amend this Lease to correct an obvious error or to reflect a change in one or more of the following: (a) Lessor's actual cost of procuring the Equipment, or (b) Lessor's actual cost of previding the equipment to Lessoe, or (c) a change in rental payments as a result of (a) or (b) above or (d) description of the Equipment, Lessoe agrees that any such amendment shall be described in a letter from Lessor to Lessor, this Lease shall be deemed amended and such amendments shall be incorporated in this Lease herein as if originally set forth. Lessoe further grants to Lessor a specific power of attorney for Lessor to sign, endorse or negotiate for Lessor's benefit any instrument representing proceeds from any policy of insurance covering the Equipment.
  - 25. FINANCIAL STATEMENTS; CREDIT REPORTS. Lessor may require from time to time, and Lessee agrees to furnish, statements setting forth the financial condition and operations of Lessee Lessee authorizes Lessor, its successors, assigns and prospective assigns, to obtain a personal credit profile on Lessee or any guarantor from any credit reporting company.
  - 26. MISCELLANEOUS. Lesses will not change or remove any insignia or lettering on the Equipment and shall conspicuously identify each item of the Equipment by suitable lettering thereto to indicate Lessor's ownership. Lessor and Lessee agree that facsimile signatures on any document pertaining to this lease agreement shall be accepted by Lessor, Lessee and all guarantors as binding and enforceable and to have the same force and effect as original signatures. Lessee authorizes Lessor to communicate with Lessee through electronic means. All Lessee email addresses provided to Lessor will be confidential, and will not be shared, sold or spammed. Delinquent lease installments and other sums due under this Lesses shall bear interest at eighteen percent (18%) per annum if not prohibited by law, otherwise at the highest lawful contract rate. If there is more than one Lessee, Lessor may, with the consent of any one of the Lessees, modify, extend, or change any one of the terms hereof without consent or knowledge of the others, without in any way releasing, waiving, or impairing any right granted to Lessor against the others. Lessees and each of them are jointly and severally responsible and flable to Lessor under this Lease. If Lessor is required by law to discount any unpaid lease payment or other sums payable by Lessee hereunder, then the parties hereto agree that the discount rate used shall be five percent (5%) annually. If any provision of this Lease is contrary to, prohibited by, or held invalid under applicable laws or regulations or any jurisdiction in which it is sought to be enforced, then such provision shall be considered severable and inapplicable, but shall not invalidate the remaining provisions of this Lease.

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### **GUARANTEE**

To induce Lessor to enter into a Lease with or otherwise extend financial accommodations to MONTEZUMA RIMROCK WATER COMPANY LLC ("Lessee"), the undersigned Guarantor unconditionally guarantees to Lessor the prompt payment when due of all Lessee's obligations to Lessor. Lessor shall not be required to proceed against the Lessee or the Equipment or enforce any other remedy before proceeding against the undersigned. The undersigned waives notice of acceptance hereof and all other notices or demand of any kind to which the undersigned may be entitled. The undersigned consents to any extensions or modifications granted to Lessee and the release and/or compromise of any obligations of Lessee or any other obligors and guarantors or any collateral therefore without notice and without in any way releasing the undersigned from his or her obligations hereunder. Guarantor waives any right to require Lessor to apply payments in a certain manner and acknowledges that Lessor may apply payments received in the fashion-most advantageous to Lessor. Furthermore, Guarantor-waives any and all claims against Lessee, by subrogation or otherwise, until such time as Lessee's obligations to Lessor are fully and finally satisfied. This is a continuing guarantee and shall not be discharged, impaired or affected by death of the undersigned or the existence of nonexistence of Lessee as a legal entity. This continuing Guarantee shall blind the heirs, administrators, representatives, successors, and assigns of the undersigned and may be enforced by or for the benefit of any assignee or successor of Lessor.

The provisions of the Guarantee shall extend to and apply to all the obligations of Lessor, now existing or hereafter made, incurred or created, however arising, and whether set forth in separate agreements, schedules, applications, orders or collateral documents. The execution of this Lease Guarantee shall not extinguish, release or walve any existing obligations, promises, or guarantees of Guarantor for the benefit of Lessor. The undersigned agrees to pay a reasonable attorney's fee, and all other costs and expenses incurred by Lessor of its successors or assigns in the enforcement of the Guarantee, whether or not a lawsuit is started.

The undersigned personal guarantor consents to Financial Pacific Leasing, LLC obtaining a consumer credit report on the undersigned from time to time in the credit evaluation and review process.

Law Which Applies, THIS AGREEMENT IS GOVERNED BY WASHINGTON LAW. EACH GUARANTOR CONSENTS TO THE PERSONAL JURISDICTION OF THE COURTS OF THE STATE OF WASHINGTON FOR ANY DISPUTE, SUIT OR ACTION ARISING UNDER OR IN RELATION TO THIS GUARANTEE AND AGREES THAT ALL LAWSUITS COMMENCED BY A GUARANTOR AGAINST LESSOR MUST BE FILED IN SUCH COURTS. AT LESSOR'S SOLE OPTION, VENUE (LOCATION) FOR ANY PROCEEDING SHALL LIE IN KING COUNTY, STATE OF WASHINGTON. EACH GUARANTOR WAIVES THE RIGHT TO A JURY TRIAL. LESSOR SHALL HAVE THE OPTION OF COMMENCING AN ACTION IN ANY COURT HAVING PROPER JURISDICTION.

This Guarantee and each of its provisions may be waived or modified only by record signed by Eessor. Lessor's waiver of any right to demand performance hereunder, if any provision of this Guarantee shall be determined to be unenforceable, then such provision shall be severed from this Guarantee without affecting any other provision of the Guarantee which shall remain fully enforceable.

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Home Phone #         928-300-329/         Home Phone #         928-607-22-44-           X         (No Title)         X         (No Title)           Date         Social Security #         Date         Social Security #           Home Phone #         Home Phone #	PATRICIA D. OL	SEN	(No Title)	GREGORY OLS	JEN .	
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### **DELIVERY AND ACCEPTANCE AUTHORIZATION**

Lessee's signature authorizes Lessor to verify by phone with a representative of Lessee the date the Equipment was accepted by the Lessee; the Equipment description, including the serial numbers; the schedule of lease payments; that all necessary installation has been completed; that the Equipment has been examined by Lessee and is in good operating order and condition and is in all respects satisfactory to Lessee and that Equipment is accepted by Lessee for all purposes under the Lease. This information will be recorded on an inspection/verification Certificate, a copy of which will be forwarded to Lessee upon completion by Lessor. Lessee hereby authorizes Lessor to either insert or correct the Lesson and/or Vendor name(s), Equipment description, Equipment location and schedule of Lease payments. Lessee hereby authorizes Lessor to make payment to the Vendor upon completion of the inspection/Verification Certificate.

LESSEE: MONTEZUMA RIMROCK WATER COMPANY LLC
MEMBER AND INDIVIDUALLY

# EXHIBIT 2

Lessor: NHE RIVER LEASING LLC. Leane Ninceher 9526 N. 46TH ST. PHOENIX, AZ \$5028 Toll Proc (\$88) 607-6800 Ph. (480) 607-6800 Full Legal Name and Place of Business of Laure > PATRICIA D. OLSEN Place of incorporation or organization or, if an dividual, location of principal residence. 2126 S. TOMBAUGH WAY >2126 S. TOMBAUGH WAY > FLAGSTAFF, AZ 86001 > FLAGSTAFF, AZ. 86001 Quantity Description, Medel & Catalog & Serial & or other Identification Equipment Leased > 1 - ARSENIC BUILDING PLANT BUILDING CONSTRUCTION WITH ELECTRICAL CONNECTION - SIZE: 10 X 20 X 10 FEET. Equipment Location >4599 E. GOLDMINE RD., RIMROCK, AZ 86335 # Different Meethly Torpus of ount of Each Payment (plus No. of Advanced Other Sales or Use Tax, if applicable) Payment/Security Deposit Payments > \$ 734.46

#### THE ME AND CONDITIONS OF LEASE

- I. LEASS. Louve heady leases from Leaser, and Leaser leases to Leases, the equipment and other property chancibed above, together with any replacement parts, additions, repetet at accountries new or leaveler herepected is or affined facusts (heartesther soluted to as the "Squipment").
- 2. ACCEPTANCS OF EQUIPMENT. Lesses agrees to impact the Equipment and to assists an Acknowledgment and Acceptance of Equipment by Lesses action, so provided by Lesses, after the Equipment has been delivered and other Lesses in this Lesses partial numbers or other elegations than the Registeres and the Equipment in this Lesses partial numbers or other identifying data with regard to the Equipment.
- 3. DOCCARAGE OF WARRANTIES AND CLARGE LEGITATION OF REAGEDER. THERE ARE NO WARRANTIES BY OR ON RESEALE OF LEGICAL Legits and support by the signature below as follow:

  (a) ISSUE MAKES NO WARRANTIES ESTIMES OR SUTTABLED, Legits and WARRANTIES ESTIMES EUFRESSED OR SUFLED AS TO THE CONDITION OF THE SQUEMENT, ITS AMERICANATABILITY, ITS FITNESS OR SUTTABLETY FOR ANY PARTICULAR PURPOSS, ITS DESIGN, ITS CAPACITY, ITS. QUALITY, OR WITH RESPECT TO ANY CHARACTERISTICS OF THE SQUEMENT; (b) Legits and the Requirement which is been required to Legits and the Requirement in the Requirement is in good condition and to Legits sufficiency; (c) Lesses in section of the Requirement is in good condition and the persons of the Requirement is in good condition and the persons, family, household, or agricultural purposes; (e) LESSES SHALL HAVE NO REMEDY FOR CONSEQUENTIAL OR SUCCESSIVE OF THE GRATION TO PAY RENT OR ANY PURPOSS SHALL RELIEVE LESSES OF THE ORLIGATION UNDER THIS LEASE.
- 4. ASSEMMENTELY LESSES PROHIBITED. WITHOUT LESSON'S PRIOR WRITTEN CONSENT, LESSES SHALL NOT ASSEM THIS LEASE OR SUBLEASE THE EQUEPMENT OR ANY INTEREST THEREIN, OR PLEOCK OR TRANSPORTHIS LEASE, OR OTHER WISE DESPOSE OF THE EQUEPMENT COVERED HEREBY.
- COMMENCEMENT, RENTALPAYMENTS: INTERIM RENTALS. The Lease shell consumence upon the written acceptance hereoftly Leaser and shell end upon the full performance and observance by Leaser of cook and every term, condition and coverance to their in the lease, may Schedules hereto and my extensions intend. Rental payment shall be in the mounts and impossory as set first on the fine of this Lease or may Schedules hereto, its addition to regular rentals, Leases shell per to Leaser interiment rent their term which the Equipment prior to the due date of the first payment, the same mounts of the leaser in the first performance of the Lease, together with the number of days claying between commencement of the Lease and the date of the first payment. The payment of interim rent shall be date and payable upon Leaser's receipt of invokes from Leaser. The pearly period under the Lease shall sentiment following the least day of the term stated on the first payment of interim rent shall be date and payable upon Leaser's receipt of invokes from Leaser. The pearly period under the Lease shall sentiment following the least day of the term stated on the first here berred'er in any Schedule hereto unless sould Leaser of Schedule has been andered on otherwise modified, Leaser shall have no obligation to Lease if the Equipment, for whotever reason, is not delivered to Lease within wheety (90) days after Leases.

THIS LEASE IS NOT CANCELABLE OR TERMINABLE BY LESSER.

LESSED UND MESSTANDS AND ACCHOWLEDGES THAT NO BROKER OR SUPPLIER, NOR ANY SALESMAN, EROKER, OR AGENT OF ANY EROKER OR SUPPLIER, IS AN AGENT OF LESSON OR BROKER OR SUPPLIER, NOR ANY SALESMAN, EROKER, OR AGENT OF ANY EROKER OR SUPPLIER, IS AUTHORIZED TO WAIVE OR ALTER ANY TERM OR CONDITION OF THIS LEASE, AND NO REPRESENTATION AS TO THE EQUIPMENT OR ANY OTHER MATTER BY THE BROKER OR SUPPLIER, NOR ANY SALESMAN, EROKER, OR AGENT OF ANY BROKER OR SUPPLIER, SHALL IN ANY WAY AFFECT LESSES'S DUTY TO PAY THE RENTALS AND TO PERFORM LESSES'S DELIGATIONS SET FORTH IN THIS LEASE.

- 6. CHOICS OF LAW. This Lease shall not be effective until signed by Leaser at its principal office Sinted above. This Lease shall be considered to have been made in the Sinte of Arisons an shall be interpreted in accordance with the lease and regulations of the Sinte of Arisons are given to furnished in accordance with the lease and regulations of the Sinte of Arisons agrees to furnished in the Sinte of Arisons in any section, salt, arbitration or proceeding regarding the Lease. In the event of any legal action with regard to the Lease or the Equipment covered hereby, Leases agrees that venue shall be melassized in Maricona County, Arisons.
- SECURITY DIPOSIT. As security for the prompt and complete payment of the amounts due under this Lesse, and Lesses's complete particinance of all its obligations under this Lesses, and any extension or reserved hereof, Lesses has deposited with Lesses that have the saction shows as "Security Deposit." In the overst any default shall be made in the performance of any Lesses's obligations under this Lesses, Lesses that Lesses the Lesses that Lesses the Lesses that Lesses that
- 8. LBATED PEHARRANGED AMENDEGISTS; SPECIFIC POWER OF ATTORNEY. In the event R is shotteney to amend the termis of the Lease to reflects a change in one or more of the following conditions: (a) Lease's actual cost of providing the Equipment to Lease, or (b) A change in restal payment, or (c) Description of the Equipment, then Leases agrees that any such amendatives their bedoes filed in writing to Lease. In the Equipment of the Equipment is Lease to the considerability of the Equipment of the Eq
- 9. LOCATION. The Equipment shall be kept at the location specified above, or, if some is specified, at Lessee's address as set forth above and shall not be removed without Lessee's prior written consent. Notwithstancing (his provision, should Lessee change the location of the Equipment without first obtaining Lessee's consent, then Lessee shall immediately provide Lessee with the new location of the Equipment.
- 10. USS. Leave that we the Equipment to a careful measure, scale as accessery repairs at Leave's expense, shall comply with all laws rotating to its possession, use, or maintenance, and shall not make any siturations, additions, or improvements to the Equipment without Leaver's prior written consent. All additions, repairs or improvements to the Equipment without Leaver's prior written consent.
- 11. OWNIESHIP: PERSONALTY. The Equipment is, and shall remain, the property of Lessor, and Lessor shall have no right, title, or interest in the Equipment except as expressly set forth in this Lesso.

LEGISTE ACKNOWLEDGENERITS. Lesses acknowledges the following: (a) Lesses's field and accounts legal name is no provided on page one of this Lesses. (b) Lesses is a capacitation ( )/perturnship ( )/individual ( ), (e) Lesses in (if no organization) duty organized, validly existing and in good standing under the lesses of the installiction sat forth on page one of this Lesses.

LESSEE PATRICIAD DESEN

LESSOR: NILE RIVER LEASING, LL.C.

LIES

Lesson NILE RIVER LEAS	NG, L.L.C.				Lease Number
9526 N. 46 <sup>TH</sup> ST. PHOENIX, AZ 850	ne				
Ph. (480) 607-6800	Toll Proc (888) 607-6800				1
Full Land No.	ne and Piace of Business of Lases		Place o	f hypernoration	or organization or, if an
> PATRICIA D. OLSEN					of principal residence.
> 2126 S. TOMBAUCH WAY		•		MBAUGH WA	
> FLAGSTAPF, AZ 86001		•	> FLAGSTA	IFF, AZ: 86001	4. 18 <sup>3</sup>
Quantity	Description	Model #, Catalog	#, Serial #, or	other Identific	
Equipment Leased > 1	-ARSENIC REMOVAL WATER TANKS, PIPING COMPONENT			BTC.	residente de la companya de la comp La companya de la companya dela companya de la companya de la companya de la companya dela companya dela companya de la companya dela companya
Equipment Location . >45 If Different	99 B. GOLDMINE RD., RIMROC	K, AZ 86335	:		
Ternis	Amount of Each Payment (plus Sales or Use Tax, if applicable) 1,058.18	Montaly Other Specify:	Terms of Lease >60	No. of Payments > 60	Advanced

#### TERMS AND CONDITIONS OF LEAKS

- 1. LEASE. Leases hereby because from Leasor; and Leasor leases to Leases, the equipment and other property described above, together with any replacement, acidifons, repeirs or accessories new or hereafter indetections in or affiliated thereto (hereinether reflected to as the "Equipment").
- 2. ACCEPTANCE OF EQUIPMENT. Leaves agrees to impact the Equipment and to execute an Acknowledgement and Acceptance of Equipment by Leaves notice, as provided by Leaver, after the Equipment has been delivered and after Leaves it satisfied that the Equipment is satisfactory in every respect. Leaves hereby authorizes Leaver to insent in this Leave serial numbers or other identifying data with regard to the Equipment.
- DISCLABAGE OF WARRANTIES AND CLAIMS; LIMITATION OF REMEDIES. THERE ARE NO WARRANTIES BY OR ON BRHALF OF LESSOR. Lesses asknowledges and agrees by his signature below as follows: '(a): LESSOR MAKES NO WARRANTIES EITHER EXPRESSED OR IMPLIED AS TO THE CONDITION OF THE EQUIPMENT, ITS MERCHANTABLITY, ITS FINNESS OR SUITABLITY FOR: ANY PARTICULAR PURPOSE, ITS DESIGN, ITS CAPACITY, ITS QUALITY, 'OR WITH RESPECT. TO ANY:

  CHARACTERISTICS OF THE EQUIPMENTR, (b) Lesses has finly impected the Equipment which it has requested Lessor to acquire and lease to Lessee, and the Equipment is in sted condition and to Lessee as complete satisfaction; (c) Lesses has the Equipment as it and with all finits; (d) Lessee specifically acknowledges that the Equipment is lessed to Lessee, slightly for commercial or business parameters and not for personal, family, household, or agricultural purposes; (e). LESSEE SHALL HAVE NO REMEDY, FOR CONSEQUENTIAL OR INCIDENTAL DAMAGES.

  AGAINST LESSOR; and (f) NO DEFECT, DAMAGE, OR UNFITNESS OF THE EQUIPMENT FOR ANY PURPOSE SHALL RELIEVE LESSEE OF THE OBLIGATION TO PAY RENT OR RELIEVE LESSEE OF ANY OTHER OBLIGATION UNDER THIS LEASE.
- 4. ASSIGNMENT BY LESSHE PROHIBITED. WITHOUT LESSOR'S PRIOR WRITTEN CONSENT, LESSEE SHALL NOT ASSENT THIS LEASE OR SUBLEASE THE EQUIPMENT.
  OR ANY INTEREST THEREIN, OR PLEDGE OR TRANSFER THIS LEASE, OR OTHERWISE DISPOSE OF THE EQUIPMENT COVERED HEREBY.
- COMMENCEMENT, RENTAL PAYMENTS: INTERIM RENTALS. This Lesse shall commence upon the written acceptance bereef by Lesser and shall end upon the full particulation and observance by Lessee and shall end upon the full particulation and observance by Lessee and shall end upon the full particulation and observance by Lessee of each sad every item, condition and coverant so forth in this Lesse, any Schedules hereto and my extensions hereof. Rental payments shall be in the amounts and frequency as set forth on the fixe of this Lesse or any Schedules hereto. In addition to regular rectals, Lessee shall pay to Lessee interim rent for the two of the Equipment prior to the does do not she first payment. Interim rest shall be fine an amount equal to 150th of the monthly rectal, multiplied by the number of days obspring between the date to the first payment. The payment of interim rent date of this Lesse, ingelier with the number of days elspring between commencement of the Lesse and the date of the first payment. The payment of interim rent datal to the same than the same than the same than the same than the same of the same to the same than the

THIS LEASE IS NOT CANCELABLE OR TERMINABLE BY LESSEE.

LESSES UNDERSTANDS AND ACKNOWLEDGES THAT NO BROKER OR SUPPLIER, NOR ANY SALESMAN, BROKER, OR AGENT OF ANY EROKER OR SUPPLIER, IS AN AGENT OF LESSOR OR BROKER OR SUPPLIER, NOR ANY SALESMAN, BROKER, OR AGENT OF ANY BROKER OR SUPPLIER, IS AUTHORIZED TO WAIVE OR ALTER ANY TERM OR CONDITION OF THIS LEASE, AND NO REPRESENTATION AS TO THE EQUIPMENT OR ANY OTHER MATTER BY THE BROKER OR SUPPLIER, NOR ANY SALESMAN, BROKER, OR AGENT OF ANY BROKER OR SUPPLIER, SHALL IN ANY WAY AFFECT LESSES'S DUTY TO PAY THE RENTALS AND TO PERFORMLESSEE'S OBLIGATIONS SET FORTH IN THIS LEASE.

- 6. CECKE OF LAW. This Lease shall not be effective until signed by Leaser at its principal office insted above. This Lease shall be considered to have been made in the State of Arizona and shall be interpreted in accordance with the laws and regulations of the State of Arizona. Lease agrees to jurisdiction in the State of Arizona in any legal action with regard to the Lease or the Equipment covered hereby, Lease agrees that vanue shall be maintained in Maricopa County, Arizona.
- 7. SECURITY DEPOSIT. As scourity for the prompt and complete preyence of the amounts due under this Lesse, and Lesses's complete performance of all in obligations under this Lesse, and any actession or received hereof, Lesses has deposited with Lessor the amount set forth in the section shown as "Security Deposit." In the event any default shell be made in the performance of any Lesses's obligations under this Lesse, Lessor shall have the right, but that not be obligated, to apply the security deposit to the caring of such default. Within 15 days after Lessor mails notice to Lesses that Lessor has applied any portion of this accounty deposit to the full amount set forth above. The templation of this Lesse, or any entersions for reseval hereof, provided Lesses has a sold all of the reant called for and fully performed all other provisions of this Lesse, Lessor will return to the Lesses my thes mountaing belance of said security deposit, without interest. Said security deposit may be communiced with Lessor's other funds.
- 2. LIMITED PREARRANGED AMENDMENTS, SPECIFIC POWER OF ATTORNEY. In the event it is necessary to assend the terms of the Lesse to reflects a change in one or more of the following conditions: (a) Lesses's sound cost of providing the Equipment to Lesses, or (b) A change in result payments, or (c) Description of the Equipment, then Lesses agrees that any such assendances shall be described in a letter from Lesses, and unless within 15 days after the date of such letter Lesses objects in writing to Lesses, this Lesses shall be demendermented and such assendances shall be incorporated in this Lesses herein as if originally set forth, Lesses guest to Lesses a specific power of attorney for Lessor to use as follows: (i) Lessor may sign and file on Lesses's behalf any downment Lesses decans necessary to perfect or protect Lessor's interest in the Equipment or pursuant to the Uniform Commercial Code, and (ii) Lessor may sign, endorse or associates for Lessor's busefit any instrument representing proceeds from any policy of insurance covering the Equipment.
- 9. LOCATION. The Equipment shall be kept at the location specified above, or, if none is specified, at Lesses's address as set first above and shall not be removed without Lessor's prior written-consent. Notwithstanding this provision, about Lesses charge the focution of the Equipment without first obtaining Lessor's consent, then Lesses shall instead thely provide Lesses with the new location of the Equipment.
- 10. USE. Leaves shall see the Equipment in a careful manner, make an occasion repairs at Leaves's exposse, shall comply with all leave relating to its possession; use, or senistenance, sad shall not make any alterations, additions, or improvements to the Equipment shall belong to Leason.
- 11. OWNERSHIP: PERSONALTY. The Equipment is, and shall remark, the property of Lesson, and Lesson shall have no right, title, or interest in the Equipment except as expressly set forth in . this Lesso.

LESSES ACKNOWLED CEMENTS. Lesses is knowledges the following: (a) Lesses's full and accurate legal name is as provided on page one of this Lesse; (b) Lesses is a corporation.

( )/individual ( ), (e) Lesses is (if an organization) duty organization, validity existing und in good standing under the lews of the jurisdiction set forth on page one of this Lesses.

LESSEE, PATRICIA D. SLEEN

LESSOR: NILE RIVER LEASING, LLC.

n= 2.16.2012

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## EXHIBIT 3

NILE RIVER LEASING, L.L.C. Lessor: Lease Number 9526 N. 46<sup>TH</sup> ST. PHOENIX, AZ 85028 Ph. (480) 507-6800 Toll Free (888) 607-6800 Full Legal Name and Place of Business of Lessee Place of incorporation or organization or, if an MONTEZUMA RIMROCK WATER COMPANY LLC individual, location of principal residence. PO BOX 10 RIMROCK, AZ 86335 > ARIZONA ... Description, Model #, Catalog #, Serial #, or other Identification Quantity Equipment Leased > 1 - ARSENIC BUILDING PLANT BUILDING CONSTRUCTION WITH ELECTRICAL CONNECTION - SIZE: 10 X 20 X 10 FEET Equipment Location >4599 E. GOLDMINE RD., RIMROCK, AZ 86535 if Different Amount of Each Payment (plus X Monthly Terms of No. of Advanced Other Terms Sales or Use Tax, if applicable) Lease Payments Payment/Security Deposit > \$ 342.09 > 36 Snecily: >36 > \$ 734.46

### TERMS AND CONDITIONS OF LEASE

- 1. LEASE Lesses hereby leases from Lessor, and Lessor leases to Lesses, the equipment and other property described above, together with any replacement parts, additions, repairs or accessories now or neverther incorporated in or affixed thereto (hereinafter referred to as the "Equipment").
- 2. ACCEPTANCE OF EQUIPMENT. Lesses orgers to inspect the Equipment and to execute an Acknowledgement and Acceptance of Equipment by Lesses notice, as provided by Lessor, after the Equipment has been delivered and after Lesses it satisfied that the Equipment is satisfied that the Equipment is satisfied to every respect. Lesses hereby authorizes Lessor to insert in this Lease seriel numbers or other identifying data with regard to the Equipment.
- "3." DISCLAIMER OF WARRANTIES AND CLAIMS; LIMITATION OF REMEDIES: THERE ARE NO WARRANTIES BY OR ON BEHALF OF LESSOR Trasses acknowledges and agrees by his signature below as follows: (a) LESSOR MAKES NO WARRANTIES EITHER EXPRESSED OR RAPLED AS TO THE CONDITION OF THE EQUIPMENT, ITS MERCHANTABILITY, ITS FITNESS OR SUITABILITY FOR ANY PARTICULAR PURPOSE, ITS DESIGN, ITS CAPACITY, ITS QUALITY, OR WITH RESPECT TO ANY CHARACTERISTICS OF THE EQUIPMENT; (b) Lesses has folly inspected the Equipment which it has requested Lessor to acquire and lease to Lesses, and the Equipment is ingood condition and to Lesses's complice satisfaction; (c) Lesses less the Equipment with all faults; (d) Lesses specifically acknowledges that the Equipment is lease that Lesses solely for commercial or during supposes and not for personal, family, household, or agricultural purposes; (c) LESSEE SHALL HAVE NO REMEDY FOR CONSEQUENTIAL OR INCIDENTAL DAMAGES AGAINST LESSOR; and (f) NO DEFECT, DAMAGE, OR UNFITNESS OF THE EQUIPMENT FOR ANY PURPOSE SHALL RELIEVE LESSEE OF THE OBLIGATION UNDER THIS LEASE.
- 4. ASSIGNMENT BY LESSEZ PROHIBITED. WITHOUT LESSOR'S PRIOR WRITTEN CONSENT, LESSEE SHALL NOT ASSIGN THIS LEASE OR SUBLEASE THE EQUIPMENT OF ANY INTEREST THEREIN, OR PLEOGE OR TRANSFER THIS LEASE, OR OTHER WISE DISPOSE OF THE EQUIPMENT COVERED HEREBY.
- COMMENCEMENT, RENTAL PAYMENTS: INTERDARENTALS. This Lease shall commence upon the written acceptance hereof by Lessor and shall end upon the full performance and observance by Lessor and shall end upon the full performance and observance by Lessor and end on the face of this Lease of each and every term, condition and coveran set forth in this Lease, any Schedules hereto and any extensions hereof. Rental payments shall be in the amounts and frequency payment. In the face of this Lease or any Schedules hereto. In addition to regular rentals, Lesse shall pay to Lessor interimerat for the use of the Equipment prior to the due date of the first payment. Interimerat shall be in an amount equal to 1/30th of the monthly rents, multiplied by the number of days classing between the date in which the Equipment's accepted by Lesson and the comprehensed date of this Lesse, together with the number of days elapsing between commencement of the Lesso and the due date of the first payment. The payment of interimerant shall be due and early also appropriate open Lesser's receipt of invoice from Lessor. The rootal period under the Lesso shall terminate following the last day of the term stand on the func hereof or in any Schedule hereto unless such Lesser or Schedule has been extended or otherwise modified, Lessor shall have no obligation to Lessee under this Lense if the Equipment, for whatever reason, Is not delivered to Lessee within ninety (90) days after Lessee signs this Lesse.

THIS LEASE IS NOT CANCELABLE OR TERMINABLE BY LESSEE.

LESSEE UNDERSTANDS AND ACKNOWLEDGES THAT NO BROKER OR SUPPLIER, NOR ANY SALESMAN, BROKER, OR AGENT OF ANY BROKER OR SUPPLIER, IS AN AGENT OF LESSOR OR BROKER OR SUPPLIER, NOR ANY SALESMAN, BROKER, OR AGENT OF ANY BROKER OR SUPPLIER, IS AUTHORIZED TO WALVE OR ALTER ANY TERM OR CONDITION OF THIS LEASE, AND NO REPRESENTATION AS TO THE EQUIPMENT OR ANY OTHER MATTER BY THE BROKER OR SUPPLIER, NOR ANY SALESMAN, BROKER, OR AGENT OF ANY BROKER OR SUPPLIER, SHALL IN ANY WAY AFFECT LESSEE'S DUTY TO PAY THE RENTALS AND TO PERFORMLESSEE'S OBLIGATIONS SET FORTH IN THIS LEASE.

- CHOICE OF LAW. This Lesse shall not be effective until signed by Lessor at its principal office listed above. This Lesse shall be considered to have been made in the State of Arizona and shall be interpreted in accordance with the laws and regulations of the State of Arizona. Lesses up test to jurisitation in the State of Arizona in any action, suit, arbitration or proceeding regarding this Lease. In the event of any legal action with regard to the Lesse or the Equipment covered hereby, Lesses agrees that vanue shall be maintained in Maricopa County, Arizona.
- SECURITY DEPOSIT. As security for the proupt and complete payment of the amounts due under this Lease, and Lessee's complete performance of all its obligations under this Lease, and any extension or renewal hereof, Lessee has deposited with Lessor the amount set forth in the section shown as "Security Deposit." In the event any default shall be made in this performance of any inspect's colligations under this Lease, Leasor shigh have the right, but shall not be obtained to be possit to the arring of such default. Within 15 days after Lessor mails notice to be associated that Lessor has applied any portion of the security deposit to the arring after the same possit to the arring after the same control to the control applied any portion of the security deposit to the arring that the same that restore and the provisions of this Lease, Lessor will return to the Lessor any then remaining balance of said security deposit, without interest. Said security deposit may be commingled with Lessor's other finds.
- E. LIMITED PREARRANGED AMENDMENTS; SPECIFIC POWER OF ATTORNEY. In the event it is necessary to amend the terms of the Lease to reflects a change in one or more of the following conditions: (a) Leason's actual cost of providing the Equipment to Lessee, or (b) A change in rental properties, or (c) Desorption of the Equipment, then Lessee agrees that any, such amendment while bedeemed in a letter from Lessee, and class within 15 days after the case of special marking to Lessor, this Lease shall be decemed amended and such amendments shall be incorporated in this Lease iterial as if originally age forth. Lisser grants to Lessor a specific power of attorney for Lessor to use as follows: (i) Lessor may sign, and file on Lessee's behalf any document Lessor deems necessary to perfect or protect Lessor's interest in the Equipment or pursuant to the Uniform Commercial Code; and (ii) Lessor may sign, and orse or negotiate for Lessor's unceft any instrument representing proceeds from any policy of insurance covering the Equipment.
- 9. LCCATION. The Equipment shall be kept at the location specified above, or, if none is specified, at Lessee's address as set forth above and shall not be removed valuout Lessor's prior written concern. Notwitistancing this provision, should Lessee change the location of the Equipment without first obtaining Lessor's consent, then Lessee shall immediately provide Lessor with the new location of the Equipment.
- 16. USE. Lesses shall use the Equipment in a caroful manner, make as necessary repairs at Lessee's expense, shall comply with all laws relating to its possession, use, or maintenence, and shall not make any afterations, additions, or improvements to the Equipment without Lessor's prior written consent. All additions, repairs or improvements made to the Equipment shall belong to Lessor.
- OWNERSHIP: PERSONALTY. The Equipment is, and shall remain, the property of Lesser, and Lesser shall have no right, title, or interest in the Equipment except as expressly set forth in this Lease.

LESSEE ACKNOWLEDGEMENTS. Losses acknowledges the following: (a) Lossee's full and accurate legal name is as provided on page one of this Lease; (b). Lessee is a corporation ( Mannarship ( ) Andividual ( ); (c) Lessee is (if an organization) duly organized, which yesisting and in good standing under the laws of the jurisdiction set forth on page one of this Lease.

LESSEE: MONTEZUMA RIMROCK WATER COMPANY LLC

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- SURRENDER. By this Lease, Lessee acquires no connership rights in the Equipment, and has no option to purchase same unless said option is incorporated beroin by an attached Rider. Upon the expiration or earlier termination or cancellation of this Lease, or in the event of a default under Paragraph 20 hereof, Lessee, at its expense, shall return the Equipment in good repair, criticary wear and lear resulting from proper use thereof alone excepted, by delivering it, packed and ready for shipment, to such place as Lessor may specify.
- 13. RENEWAL. As the expiration of the Lesse, Lessee shall return the Equipment in accordance with Paragraph 12 hercof. At Lessor's option, this Lease may be continued on a month-to-month basis until 30 days after Lessee returns the Equipment to Lessor. In the event the Lease is so continued, Lessee shall pay to Lessor returns the same periodic amounts as is indicated under the section entitled Amount of Each Payment above.
- LOSS AND DAMAGE. Lessee shall at all times after signing the Lease bear the entire risk loss, theft, damage or destruction of the Equipment from any cause whatsoever, and no loss, theft, damage or destruction of the Equipment shall relieve Lessee of the obligation to pay repror to comply with any other abligation nonerthis Lease, in the event of damage to any part of the Equipment. Lessee shall immediately place the same in good repair, Lessee shall, at Lessee's option, do one of the following: (a) Replace the same with like equipment in good repair, acceptable to Lessor; or (b) Pay Lessor in each the following: (f) all amounts due by Lessee to Lessor under this Lesse up to the date of the loss, (ii) the accelerated balance of the total amounts due for the remaining term of this Less entiributable to said them; discounted to present value at a discount rate of 6% as of the date of loss of said (fii) the Lessor's estimate as of the intentity of 6%, as of the date of loss. Upon Lessor's receipt of payment as set form above. Lessee the entire the Equipment without any warrantes. Princurance proceeds are used to fully comply with this subparagraph, the balance of any such proceeds shall go to Lesses to compensate for loss of use of the Equipment for the remaining term of the Lesse.
- MSUILANCE; LIENS; TAXES. Lesses shall provide and maintain insurance against loss, theft, damage, or destruction of the Equipment in an amount not less than the full replacement value of the Equipment, with loss payable to the Lessor. Lessee also shall provide and maintain comprehensive general all-risk liability insurance including but not limited to product liability coverage, insuffigures or an inconnection with the condition, use, or operation of the Equipment, with such limits and an insurer satisfactory to Lessor. But he paint expressly provide that said insurance as to Lessor and he resigns shall not be invalidated by any act, omission, or neglect of Lessee and cannot be canceled without 30 days prior written motics to Lessor. As to each policy Lessees shall furnish to Lessor a certificate of insurance provide any insurance provide any insurance provide any insurance coverage for the Equipment of the Lesser's benefit, if Lessee (ails to provide the insurance, Lessor will have the right, but no obligation, to have such insurance protecting Lessor and at Lessee's expresses. Such placement will result in an increase in Lessee's periodic payments, the increase being altificated to Lessor's costs of obtaining such insurance and any costomary of feets of Lessor's or its designess ossociated with such insurance.

Lessee shall keep the Equipment free and electrofall levies, liens, and encumbrances. Lessee shall pay all charges and taxes (local, state, and federal) which may now or hereafter to imposed upon the ownership, lessing, rental, sale, purchese, possession, or use of the Equipment; excluding, however, all taxes on or measured by Lessor's net inconne. If Lessee fails to pay said charges or taxes, Lessor shall never heright, but shall not be abligated, to pay such charges or taxes. In that event, Lessor shall notify Lessee of such payment and Lessoe shall repay to Lesson the cost thereof, within 15 days after such notice is mailed to Lessee.

- 16. INDEMINITY. Lessee shall indemnify Lessor against any claims, actions, damages or habilities, including all aborney fees incurred out of or connected with the Equipment, without limitation. Such indemnification shall survive the expiration, cancellation, or termination of this Lease, thesee waives any immunity Lessee may have under any industrial insurance act, with regard to indemnification of Lessor.
- ASSIGNMENT BY LESSOR. Any assignee of Lassor shall have all of the rights but none of the obligations of Lessor thide this Lease. Lessee shall recognize and hereby consents to any ensignment of the Lessee by Lessor, and shall not assert against the assignee any defense, counterclaim, or set off that Lessee may have against Lessor. Subject to the foregoing, this Lease interest to the needed of and is binding upon the being, devisees, percenal representatives, survivors, successors in interest, and assigns of the parties hereto,
- 18. SERVICE CHARGES: INTEREST. If Lesses shall fail to make any payment required by the Lesse within 10 days of the due date thereof, Lesses shall pay to Lessor a service charge of 10% of the amount due per month, minimum, 25.00 for each month that the payment remains definingent. In addition, Lesses shall pay to Lessor any notual additional expenses incorrect by Lessor in collection efforts, including but not limited to long-distance telephone charges and travel-expenses. Lesses shall pay to Lessor in the state of the maximum rate of interest allowed by law or 24% per amnum.
- 19 . TIME OF ESSENCE. Time is of the essence of the Lease, and the provision shall not be impliedly waived by the acceptance on occasion of late or defective performance.
- DEFALIT. Lesses shall be in defaultiff. (a) Lesses shall fail to make any payment due under the terms of this Lesses for a period of 10 days from the due date thereoff or (b) Lesses shall fail to posterve, keep or perform any other provision of the Lesses, and such failure shall contains for a period of 10 days; or (c) Lesses has made any misleading or faise statement in consection with application for or performance of the Lesse; or (d) The Equipment or my part thereof shall be subject to any lien, levy, seizure, assignment, transfer could transfer encumbrance, application, disculment, execution, sublesses, or sale without prior written consent of Lessor, or it Lesses that abandon the Equipment or general way other entry or person to the use Equipment without the prior written consent of Lessor, or (e) Lesses dies or ceases to exist; or (f) Lesses defaults on any other agreement if has with Lessor, or (g) Any gazantor of the Lesse defaults on any obligation to Lessor, or any other agreement if the power listed events of default occur with respect to any governor of any such given or be filed against it a petition under the bankruptcy laws.
- REMEDIES. If Lessee is in default, Lessor, with or without notice to Lessee, shall have the right to exercise any one of more of the following remedies, concurrently or separately, and without any election of remedies being deemed to have been made. (a) Lessor may enterupon Lessee's premises and, without any court ofter outdits process of law, may repossess and remove the Equipment, or render the Equipment unusable without removal, either with or without notice to Lessee. Lessee hereby valves may frespess or right of action for damages by reason of such entry, removal or disabling. Any such repossession shall not constitute a termination of the Lesse unless Lessor so pulifies. Lessee in miting; (b) Lessor may sequire Lessee, at its expense, to return the Equipment in good repair, ordinary were and tear resulting from proper use thereof excepted, by delivering it, packed and ready for shipment, to such place as Lessor may specify; (c) Lessor may cancel or terminate this Lesso and may relate the Equipment, without notice to Lessee, and the become due under the Lesse immediately due and payable without notice to Lessee, are private or public sale, ar which sale Lessor may be the purchaser with respect to any exercise of Lessor of its right to recover and/or dispose of any Equipment or other collatoral securing Lessee's obligations under this Lesse, Lesser acknowledges and agrees as follows: (i) Lessor shall have no obligation, subject to the requirements of commercial reasonableness, to clean-up or otherwise prepare the Equipment or any other collatoral for disposition, (ii) Lessor may couply with any applicable state or federal law requirements in connection with any disposition of the Equipment or other collatoral, and any actions taken in connection therewith shall not be deemed to have adversely affected the commercial reasonableness of any disposition of such Equipment and other collatoral; (f) Lessor may such for any other collatoral, and any actions taken in connection therewith shall not be deemed to have

No right or remedy herein conferred upon or reserved to Lessor is exclusive of any other right or remedy herein, or by law or by equity provided or permitted, but each shall be cumulative of every other right or remedy given lesson or now or hereafter existing by law or equity or by stable or otherwise, and may be enforced consumptify therewith or from time to time. No single or partial exercise by Lessor of any right or remedy hereunder shall preclude any other or further exercise of any other right of remedy.

- 22. MULTIPLE LESSIES. Lessor may, with the consent of any one of the Lessors hereunder, modify, extend, or change any of the terms hereof without consent or knowledge of the others, without in any very relaxating, waiving, or impairing any right granted to Lessor organization others. Lessors and each of them are jointly and severally responsible and liable to Lessor under the Lessor.
- 23. EXPENSE OF ENFORCEMENT. In the event of any legal action with respect to the Lease, the prevailing party in any such action, said or entitled to reasonable attorney fees, including action in bankraptey count on appeal or review, or incurred without action, saids or proceedings, together, with all costs and expenses incurred in pustoit thereof.
- 24 ENTIRE AGREEMENT, NO ORAL MODIFICATIONS, NO WAIVER. This instrument constitutes the entire agreement between Lessor and Lessee. No provision of the Lease shall be undiffed or rescinded unless in writing signed by a representative of Lessor. Waiver by Lessor of any provision hereof in one instance shall not constitute waiver as to any other instance.
- 25. SEVERABILITY, This Lease is intended to constitute a valid and enforceable legal instrument, and no provision of this Lease that may be deemed an enforceable shall in any way invalidate any other provision or provisions hereof, all of which shall remein in full force and effect.

CERTIFICATE	OF A	LUTHO	RITT

The indersimed, being the duly elected <u>MEMBER</u> of the Company named in the foregoing Lease, hereby certifies that:

(a) PATRICIA D. OLSEN, in his/her capacity of <u>MANAGING MEMBER</u> of the Company, is authorized by the Bylaws or other organizational documents of the Company, on by a resolution duly adopted or other authorization properly given by the Board of Directors, the Managers, the Managing Member(s) or the Managing Pritter(s) of the Company, as applicable, in accordance with the Bylaws or other organizational documents of the Company, to negotiate execute and deliver on behalf and in the name of this Company, the Commercial Lease, (b), that such authorization has not been evented only continues in full force and effect, (c) that the execution of such officer shall be conclusive evidence of his/her approval thereof and (d) this Lease and such other documents constitute legal and binding obligations of the Company. IN WITNESS WHEREOF, I have affixed my name as MEMBER of the Company on the date ser tooth below.

Printed Name

>PATRICIA D. OLSEN

Date 3/22/12

#### DELIVERY AND ACCEPTANCE CERTIFICATE

Re: MONTEZUMA RIMROCK WATER COMPANY LLC

Lease No.:

To Lessor: NILE RIVER LEASING, L.L.C.

All of the items referred to in the above-referenced Lease have been delivered to and have been received by the undersigned. All installation or other work necessary prior to the use thereof has been completed. Said equipment has been examined and/or tested and is in good operating order and condition, and is in all respects satisfactory to the undersigned and is a represented. Said equipment has been accepted by the undersigned and complies with all terms of the Lease.

In the future, even if the equipment fails to perform as expected or represented, we will continue to honor the above-referenced.

Lease by continuing to make our periodic payments in the normal course of business, and we will look solely to the seller or manufacturer for the performance of all covenants and warranties. In addition, we agree to indemnify and hold harmless and defend the Lessor from such nonperformance of all the aforementioned equipment.

We acknowledge the Lessor is neither the manufacturer, distributor, or seller of all the equipment and has no control, knowledge, or familiarity with the conditioning, capacity, functioning, or other characteristics of the equipment.

MOTICE TO THE LESSEE: DO NOT SIGN THIS ACCEPTANCE UNTIL THE EQUIPMENT HAS BEEN DELIVERED, ASSEMBLED, INSTALLED AND ACCEPTED BY YOU AS SATISFACTORY IN ALL RESPECTS: PAYMENT TO THE SUPPLIER WILL NOT BE MADE UNTIL THIS NOTICE IS SIGNED AND RETURNED TO THE LESSOR:

EQUIPMENT: 1 – ARSENIC BUILDING PLANT – BUILDING CONSTRUCTION WITH ELECTRICAL CONNECTION  $\div$  SIZE: 10 X 20 X 10.

LESSEE: MONTEZUMA BIMROCK WATER COMPANY LLC	
Hitle: MANAGING MEMB	BR Date: 5/10/26/2
Patricia D. Olsen	en e
PHONE # (928) 592-9211 CELL # (928) 300-3291	political in contrast of the c
EMAIL: Patsy @ MontezumaWater.com	
	8 5 · · ·
I hereby authorize	(title) to verbally
verify my/our acceptance of the above-referenced equipment in my absence.	
PHONE # ()	4

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## EXHIBIT 4







or internal tree only.

This document is subject to a security interest in favor of Wells Fargo Capital Finance, LLC as Collutural Agent for the Secured Parties

LEASE #:	· · · · · · · · · · · · · · · · · · ·
LESSEE TO THE PLANTAGE TO THE PERSON OF THE	VENDOR/SUPPLIER
MONTEZUMA RIMROCK WATER COMPANY LLC BILLING ADDRESS: PO BOX 10 RIMROCK, AZ 88335 COUNTY: YAVAPAI	KEVLOR DESIGN GROUP, T.L.C. 430 FITZGERALD PLACE ATLANTA, GA 30348
EQUIPMENT DESCRIPTION (Attach separate Equipment List if	needed)* Naw, the Eused, * African at a constitution
and the second of the second o	
SEE EQUI	PMENT LIST
e established to the second of	
EQUIPMENT LOCATION. Complete only if Equipment will not be located	at Lessee's address above.
ADDRESS: 4599 E. GOLDMINE RD., RIMROCK, AZ 86335	
SCHEDULE OF LEASE PAYMENTS	The second of th
	nber + Administrative + Security initial Amount - Option Price/
(Months) Payments, Pental Tay Tatal Prepay	ment(s) Fee Deposit Due Guaranteed Purchase
11.1	2 \$420.00 \$0.00 : \$2,691.92 : \$4.00 :
THIS I FASE AGREEMENT (" BORN'S IS SUBJECT TO THE TERMS AND	ental Payment divided by 30 days = Daily Rate) x (# of Days :
this lease, which consists of 5 pages, is not binding	UNTIL ACCEPTED BY LESSOR. (1999) 1749 112 12 11 1197 11.
LESSEE: MONTEZUMA RIMROCK WATER COMPANY LLC	LESSOR: FINANCIAL PACIFIC LEASING, LLC
A CONTRACTOR OF THE LAND OF TH	ELECATE LIMANDIAL VOLTO ELEMENTAL ELEC
Character of the same	By
PATRICIA D. OLSEN, MEMBER AND INDIVIDUALLY	(Signature Only)
. 5/2/2012 · · · · · · · · · ·	
(Date)	(Title)
THIS IS A NON-CANCELABLE LE	EASE FOR THE TERM INDICATED
Lessor, hereby Leases to Lessee, and Lessee hereby hires and tal made a part hereof (collectively, together with any substitutions or re	res from Lessor all property described in this Lease or hereafter and . placements thereto, the *Equipment*).
<ol> <li>ENTIRE AGREEMENT. This Lease constitutes the entire agreement bet representation or warranty shall be binding on Lessor. All prior conversation integrated herein. No modification hereof shall be binding unless in writing an</li> </ol>	ween Lessor and Lesses. No oral egreement, guarantee, promise, condition, is, agreements or representations related hereto end/or to the Equipment are disgreed by Lessor.

CONTINUED ON FOLLOWING PAGES

App# 489780, 10201 iA

Page 1 of 5 Page Agreement





- 2. LESSEE REPRESENTATIONS. Lessee acknowledges that no salesman or agent of the supplier of the equipment is authorized to walve or alter any term or condition of this Lesse and no representation as to the Equipment or any matter by the Supplier shall in any way effect Lessee's duty to pay the Lesse payments and perform its other obligations as set forth in this Lesse. Lessee represents that its exact legal name, state of formation, location of its chief executive office and/or its place of residence as applicable have been correctly identified to Lessor.
- 3. STATUTORY FINANCE LEASE. Lessee agrees and acknowledges that it is the Intent of both parties to this Lease that it quality as a statutory finance Lease under Article 2A of the Uniform Commercial Code, Lessee acknowledges and agrees that Lessee has selected both: (1) the Equipment and (2) the Supplier from whom Lessor is to purchase the Equipment. Lessee acknowledges that Lessor has not participated in any way in Lessee's, selection of the Equipment or of the Supplier, and Lessor has not selected, manufactured, or supplied the Equipment.
- LESSEE IS ADVISED THAT IT MAY HAVE RIGHTS UNDER THE CONTRACT EVIDENCING LESSON'S PURCHASE OF THE EQUIPMENT FROM:
  THE SUPPLIER CHOSEN BY LESSEE AND THAT LESSEE SHOULD CONTACT SUCH SUPPLIER FOR A DESCRIPTION OF ANY SUCH RIGHTS.
- THE SUPPLIER CHOSEN BY LESSEE AND THAT LESSEE SHOULD CONTROL SOCIAL LESSEE SHAULMOT ASSIGN THIS LEASE OR A ASSIGNMENT BY LESSEE PROHIBITED WITHOUT LESSOR'S PRIOR WRITTEN CONSENT LESSEE SHAULMOT ASSIGN THIS LEASE OR ANY INTEREST. THEREIN, OR SUBLEASE THE EQUIPMENT, OR PLEDGE OR TRANSFER THIS LEASE OR OTHERWISE DISPOSE OF THE EQUIPMENT COVERED HEREBY.
- 5. APPLICABLE LAW AND VENUE. ALL MATTERS INVOLVING THE CONSTRUCTION, VALIDITY, PERFORMANCE, OR ENFORCEMENT OF THIS LEASE SHALL BE GOVERNED BY THE LAWS OF THE STATE OF WASHINGTON: LESSEE CONSENTS TO THE PERSONAL JURISDICTION OF THE COURTS OF THE STATE OF WASHINGTON AND AGREES THAT AT LESSORS SOLE OPTION, JURISDICTION AND LOCATION FOR ANY DISPUTE, SUIT OR ACTION ARISING UNDER OR IN RELATION TO THE LEASE, AND ALL DOCUMENTS: EXECUTED IN CONSECTION THEREWITH, SHALL BE IN KING COUNTY, STATE OF WASHINGTON, LESSEE WAIVES THE RIGHT OF JURY TRIAL LESSOR SHALL HAVE THE OPTION OF COMMENCING AN ACTION IN ANY COURT HAVING JURISDICTION OVER THE SUBJECT, MATTER, AND PARTIES TO THE TRANSACTION.
- 6. NO WARRANTY. Lessor, not being the manufacturer of the equipment, nor manufacturer's agent, MAKES NO WARRANTY OR REPRESENTATION.

  ETHER EXPRESS OR IMPLIED, AS TO THE FITNESS FOR A PARTICULAR USE OR OTHERWISE, QUALITY; DESIGN,: CONDITION, CAPACITY, SUITABILITY, MERCHANTABILITY OR PERFORMANCE OF THE EQUIPMENT OR OF THE MATERIAL OR WORKMANSHIP, THEREOF, IT BEING AGREED THAT THE EQUIPMENT IS LEASED "AS IS" AND THAT ALL SUCH RISKS, AS BETWEEN LESSOR AND LESSEE, ARE TO BE BORNE BY LESSEE AT ITS SOLE RISK AND EXPENSE. Lessee accordingly agrees not to assert any claim whatsoever against Lessor based thereon. In addition, Lesses waives any and all rights and remedies conferred by VCC 2A-508 through 2A-522, including, bit in not limited to; Lessee's right to (a).

  Cancel or repudiate the Lesse; (b) reject or revoke acceptance of the Equipment; (c) deduct from rental payments all or any paint of any cleimed damages resulting from Lessor's default under the Lesse; (d) recover from Lessor any general, special, incidental, or consequential damages, for any reason whatsoever. Lessee's further waives any and all rights, now or hereafter conferred by statiuts or otherwise, that may require Lessor's rights or remedies of the Equipment in mitigation of Lessor's damages or that may otherwise limit or modify any of Lessor's rights or remedies hereunder.
- 7. TERMI The initial term of this Lease is set fortir on the first page of this Lease. The term begins on the earlier of the following dates: (a) the date Leases requests Lease to make payment to the Supplier or (b) the Acceptance Date as indicated on the inspection/Varilication Certificate:
- 9. END OF TERM OPTIONS: If the option exists and so long as no Event of Default exists, Lease may at the end of the entitinal or environment temp, purchase all (but not less than all) the Equipment by paying the option price set forth in the Schedule of Lease Payments plus any applicable toxes and fees. If option price is designated as a Guaranteed Purchase, Lessee shall be required to purchase the Equipment, rather than have an option to do so. If no epition price is indicated, Leaser will use its reaconable judgment to determine the Equipment's fail market value. Upon payment of the Fair Market Value price and applicable toxes and fees, Lessor's Interest in the Equipment shall terminate and Lessee shall accept the Equipment "AS IS, WHERE IS" without any representation of warranty whatsoever.
  - B. LEASE PAYMENT; SECURITY DEPOSIT. The lease payments for the Equipment leased shall be in the amount designated in the schedule of payments and shall commence on the indicated payment due date immediately following the Equipment Acceptance Date. Leases shall pay Leaser said lease payments on or before the due date, at the office of Leasor or to such other person or place as Leasor may designate in writing. Leasee agrees to pay pard rata rental (based on the monthly lease payments) for the period from the Acceptance Date, to the due date of the first payment. Said pro rata rental shall be in addition to the first payment and shall be made simultaneously with the first payment. Propayments are credited with one payment being applied to the first month's rental and any other propayments, then applied to the last month's) rentally). Any security deposit shall remain as security for performance of all the terms and conditions of this Lease. In the event any defeuts shall be made in the performance of any of Lease's obligations under this Lease, Leasor shall have the right, but shall not be obligated, to apply the security deposit to the curing of such default. On the expiration or earlier termination or cancellation of this Lease, Leasor will return to Lease any time a remaining balance of said security deposit, without interest. Said security deposit may be committing of with Leasor's other funds.
  - 10. LATE CHARGES AND COLLECTION CHARGES. A late charge of 10% of the total monthly lease payment; or \$10, whichever is greater, will be assessed when a payment is not received on or before the due date. An additional late charge will be assessed for each month a payment remains unpaid. If Leasee's delinquency requires additional collection efforts, a charge will be assessed in accordance with Leaseer's collection charge schedules in addition, Leasee shall be assessed for any charges levied by an outside collection agency following Leaseer's default.
  - "11. LOCATION AND USE OF EQUIPMENT. Lessee shall keep the equipment at the location designated in the Lesse; unless Lessor, in writing, permits its removal. The Equipment shall be used solely in the conduct of Lessee's business. Lessee shall notify Lessor if equipment is used for transporting or storing product considered hazardous material. Lessee warrants that Equipment is lessed for commercial or business purposes and not for consumer; personal, home or family purposes.
- 12. SURRENDER OF EQUIPMENT. At the expiration of the farm of this lease, of upon demand by Lessor pursuant to Recording this Lease, Lease at its expense shall return the Equipment in proper working order condition and repair by delivering it packed and ready for shipment to such place or on board such carrier as Lessor may specify. WARNING: FAILLIRE TO RETURN THE EQUIPMENT MAY RESULT IN CRIMINAL PROSECUTION AND/OR ADDITIONAL RENTAL CHARGES, ON A MONTH TO MONTH.

  BASIS, UNTIL THE EQUIPMENT IS RECOVERED BY LESSOR.
  - 13. NOTICES. Services of all notices under this agreement shall be sufficient if given personally or mailed to Lessor at 3455 3, 344th Way, Suite 300, Federal Way, WA 98001, or P.O. Box 4568, Federal Way, WA 98063; or to Lessee at Lessee's address set forth above or at such other address, as a party may provide in writing from time to time. Any notices required by this Lesse shall be deemed to be delivered when a record properly directed to the

CONTINUED ON FOLLOWING PAGES





Intended recipient has been (a) deposited with the US Postal Service, (b) transmitted by facsimile, (c) transmitted through the internet, or (d) has been personally delivered.

14. LIABILITY AND INDEMNITY; LOSS AND DAMAGE. Lessee shall indemnify and hold Lessor harmless from liability expense of every kind or nature from whatever cause, including, but not limited to, the liability arising under any statute, ordinance or regulation in connection with the use of the Equipment and from all flability on account of any claim for personal injury, death, of property damage to any person or party whatsoever; including Lessee, arising out of the manufacture, selection, operation, use, maintenance, or delivery of the Equipment. Such indemnification shall survive the expiration, cancellation, or termination of this Lesse. Lessee hereby assumes and shall bear the entire risk of loss and damage to the Equipment from any cause whatsoever. termination of this Lease. Lease hereby assumes and shall bear the entite factor loss and damage to the Equipment from any cases whatsoever, in regardless of whether the loss is insured. In the event of loss or damage to the Equipment, or to any pair thereof. Leases, afthe option of the Leaser, shall with the property of the same of greater value provided.

The regardless of whether the loss is insured by the event of the same of greater value provided.

The regardless of whether the loss is insured by the payment of the same of greater value provided.

The regardless of whether the loss is insured by the payment of the remaining childrenss payments and the same of the Equipment of the Equipment of the remaining childrens are payments as the expiration of this Lease, and other amounts due under the Lease; less the net amount of the recovery. If any actually received by Leason from insurance or otherwise for such loss of partial destruction.

The remaining the remaining childrens is the expiration of this Lease, and other amounts due under the Lease; less the net amount of the remaining the remaining childrens are remained to the remaining the rem

payments herein provided.

16. INSURANCE. Lesses, at its own expense, shall keep the Equipment Insured for the full term of this Lesse and any renewals or extensions thereof, for """ the full beurable value thereof against all risks of loss or damage, and against such other risks in sporrationants as Lessor may epecify including liability. Insurance, with limits not less than \$500,000 unless lessor specifies an ingressed amount due to the equipment location or use of equipment (bodily injury, and property damage) combined strigle limit. Provided, however, in those listances where Lesses is lessing the Equipment defined by Lessor as "mobile Equipment," Lesses shall procure and maintain, for the full lesse term, all risk physical damage insurance as opposed to insurance against firetand their, with extended or combined coverage. All listurance policies must provide that no cancellation shall be effective without thicky (30) days prior writtern policies. to Lessor, Lessee shall deliver to Lessor the policies or evidence of insurance with a standard form of endorsement attached thereto showing Lessor to be 🔆 named as an additional insured, together with receipts for the premiums thereunder. Lesser shall; at the request of Lessor, name as Loss Payse such 🤙 : a party who may have a security interest in the Equipment. Lesses agrees that any dispute regarding insurance charges will be determined by emittration conducted under the rules of the American Arbitration Association in Seattle, Washington.

16. LESSEE'S FAILURE TO PAY TAXES, INSURANCE, ETC. Should Lessee fall to make any payment or do any act as herein provided, then Lessor shall have the right, but not the obligation without notice to or demand upon Lessee, and without releasing Lessee, from any obligation hereunder, to make or do the same and to pay, purchase, content, or common any obligation hereunder, to make or do the same and to pay, purchase, content, or content and in exercising such rights, thour any liability and expend whatever amounts in the absolute discretion it may deem recessary therefore. Should Lessee fall to provide Lessor the policies or evidence of insurance described herein, Lessor, shall have the right, but not the obligation, to secure: Should Lessee fall to provide Lessor the policies of evidence of insurance or described herein, Lessor, shall have the right, but not the obligation, to secure: Should Lessee fall to provide Lessor, interests. Lessee understands that, if Lessor insurance on the Equipment the insurance may not name Lessee as an insured and may not fully protect Lessee's interests, Lessee agrees that, if Lesser secures insurance on the Equipment, Lessee will pay an insurance charge that may be substantially higher than the premium that Lessee would be a later of the premium, that he premium, that he premium, that he premium that Lessee would be a longer of the premium that he premium, that he premium that he prem 16. LESSEE'S FAILURE TO PAY TAXES, INSURANCE, ETC. Should Lesses fall to make any payment or do any act as herein provided, then Lessor

17. AUTHORITY TO SIGN. If Lessee is a Limited Liability Company ("LLC"), partnership or corporation; the person signing the Lease on behalf of such LLC, partnership or corporation hereby warrants that (s)he has full authority from the LLC, partnership or corporation to sign this Lease and obligate the LLC, partnership or corporation.

18. DEFAULT REMEDIES.

- a) An event of default shall occur if:
- [1] Lessee falls to pay any Lease installment and such fallure continues for a period of ten (10) days;
- (2) Lessee shall fall to perform or observe any covenant, condition of obligation to be performed or observed by it hereunder and such fallura continues uncured for filteen (15) days;
- - (4) Lessee or any guerantor becomes insolvent or is the subject of a petition in bankruptcy or under any other insolvency law or law providing for relief of debtors, either voluntary or involuntary, or involuntary or involvent or in the first property from a
  - (5) If the Equipment is seized or levied upon under any legal or governmental process;
  - (6) Lessee attempts to remove, sell, transfer, encumber, part with possession or subjet the Equipment or any item thereof without first obtaining Cessor's consent 1 ---
  - (7) Lessee or any guarantor defaults in the performance of any obligation oward to Lessor under the provisions of any other agreement with the
- (2) Cause Lessee, at Lessee(s expense; promptly, to nature any oriall of the Equipment to Lessor, all without demand on legal process, and to allow Lessor to alter into the primities where the Equipment may be found and take possession of or remove the sands, where upon all rights of Lessee in the Equipment shall be minute absolutely; and
  - $\sim$   $\sim$  (I) Retain the Equipment and all lease payments made hereunder, or  $\sim$
- (ii) Retain all prior lease payments and sell the Equipment at public emprivate sale, with or without notice to bessee. The sale price; leas: ...

  10% to cover lease or internal costs, will be credited against the remaining unpublic lease payments, unpublic the charges, repairing and resulting the Equipment, reasonable attorney's fees incurred by Lessor and other amounts due under the Lease in such order as Lessor in its sole discretion shall determine. Lessee shall remain liable for the deficiency and any surplus remaining after such application of proceeds of sale shall be



paid to whoseever may be lawfully entitled to receive the same; or

- (iii) Retain the Equipment and all prior payments, with Lessee remaining liable for the unpaid lease payments, unpaid late charges, charges for retaking and restoring Equipment to proper order and worlding condition, reasonable attorney's fees incurred by Lessor, together with other amounts due under the Lease; or
- ar amount equator tessor a tapital cost of the Equipment and for the depreciation thereof.

  by Lessee engaining responsible for any deficiency, it is agreed that the amounts to be retained by Lessor and the balance to be paid.

  by Lessee under this paragraph: (2) shall not be a penalty but shall be as and for liquidated damages for the breach of this Lesse and the samples are the breach of this Lesse and the samples are the depreciation thereof.
- (3) No remedy hereon bentfiried inon or reserved to Lessof is intended to be exclusive of any other remedy herein or by law provided but shall be surpliable to Lessor. The forbearance on the part of Lessor to exercise any right or remedy available herearder in the part of Lessor to exercise any right or remedy available herearder in the several default, or Lessor failure to demand punctual performance or any obligation of Lessoe. shall not be deemed a walver (A) of any such right or remedy, or (B) the requirement of punctual performance; or (C) of any subsequent breach or default on the part of Lesses.

18 ATTORNEY'S FEES AND EXPENSE in the event Lessor is regulared to retain an attorney to assist in the enforcement of its rights tind to the Lessor its shall be shill do to a reasonable attorney's fee, however incurred. In addition to costs and necessary including fees incurred in appeal or it connection with a bankrupidy proceeding.

20. OPERATION, MAINTENANCE AND REPAIR, Lessor shall not be obligated to Install, erect, test, adjust, service or make repairs or replacements to the Equipment. Lessee shall bear the expense of all necessary repairs, meintenance, operation, and replacements required to be made to meintain the Equipment to proper working condition, using as a guide the maintainance program desorbed in the owners manual, if any, for each item of Equipment and shall perform all maintenance required to insure full validation of a manufacturer's warranty on the Equipment. Lessee shall comply with all laws and regulations relating to ownership, possession, epistation, use and maintenance of the Equipment. No Equipment shall be used contrary to its intended use, or the provisions of any insurance policy covering the Equipment.

or the provisions of any sistent people covering the Equipment.

21, TAXES, Lessee shall pay and discharge all sales, use, property and other taxes now or hereafter imposed by any taxing authority upon the Equipment based upon the ownership, leasing, taking, saler, possession on the taxes, whether the same be assessed, to Lessor or Lessee, together with any penalties or interest in connection therewith, and will submit writer evidence of the payment at Lessor's nequest. Sales or use tax diveron nertal payments shall be due at the same time at the same time at the reintal payment. For those property taxes required to be flied by Lessor, Lessor will include the Equipment as property in the possession of Lessee for purposes of tax assessments. A processing fee of the greater of \$10:00 or 10% of the tax will be collected from Lessee for managing the payment of any taxes which are the responsibility of Lesses. Upon termination of the Lessee will pay Lessor personal property taxes, reasonably estimated, for every year assessed by the taxing authority but impaid as of termination. In the every that the actual personal property tax bill is within \$500 of such astimate, then Lessor shell not seek reimbursement from Lessee, for any undersyment, and Lessee the nature of the first case of the control of Lessee and length to every retain any overpayment, the every treatment and overpayment, and Lessee and Lessee and the taxes are settled.

22. LESSOR'S ASSIGNMENT. Lessor may easign all or lary of Lessor's other rights hisrounder. After such assignment, Lessee walves any right Lessee may have to claim or asset any determine, selection or control elleged to the claims a commercial right lessor. Lessee will settle all claims after or claims of the classor and right lessor and right and commercial right lessor and right lessor and right and commercial right lessor of the classe. Lessee, on receiving notice of any such assignment, shall satisfact the control of determining assignment, and make payment as may therein he directed. Following such assignment, adely for the purpose of determining assignment in the term "Lesso" that the Equipment his classor rights. security interest which is prior to Lessee's interest in the Equipment.

no right, title or interest therein or thereto except as expressly set forth in this Lease. The Equipment is, and shall at all time be and remain, personal property notwithstanding that the Equipment or any part thereof may now be, or hereafter become, in any manner affixed or attached to real property. properly norwinstanding that the Equipment of any liens, claims or encumbrances other than those in favor of Lessee shall be all obtain the necessary permission from the owner of any real property where the Equipment is to be affixed to the realty or be deemed a fixture in order that the Equipment shall at sail tirties be severable and removable their from by Lessor, free of any high, title, claim or interest of the property owner and of Lessee except as herein provided: in addition to all of the other rights of Lessor under this Lesse, Lessee grants to Lessor a security interest in and to the Lessed Property and all proceeds thereof (including insurance proceeds) as security for performence of all of Lessee's obligations to Lessor of every light and nature, now exteting the processor of a large processor and any performance of all of Lessee's obligations to Lessor of every light and nature, now exteting the processor of every light and nature, now exteting the processor of every light and nature, now exteting the processor of every light and nature, now exteting the processor of every light and nature.

24. LIMITED PREARRANGED AMENDMENTS; AUTHORIZATION; SPECIFIC POWER OF ATTORNEY, in the event less necessary to amend this Lesse. to correct an obvious error or to pelecta change in one or more of the following: (a) Lessor's actual cost of procuring the Equipment, or (b) Lessor's actual cost of producing the Equipment, or (c) Lessor's actual cost of producing the Equipment, or (c) Lessor's actual cost of providing the equipment ability of Lessor's actual payments as a result of (a) or (b) shows or (d) described on different costs of the same payments as a result of (a) or (b) shows or (d) described on different costs of the same payments as a second cost of the same payments and the incorporated in this Lesso harding at it originally set forth. Lessoe further graphs to Lessor a specific power of attorney for Lessor to actual or Lessor's benefit any instrument representing proceeds from any policy of insurance covering the Equipment.

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on Lessee or any guarantor from any credit reporting company.

28. MISCELLANEOUS. Lesses will not change or remove any insignia of lettering on the Equipment and shall conspicuously. Identify good them then at the Equipment by suitable lettering, the loading Lesser, is ownership. Lesser and Lessee, egges that facefulle signatures as any document pertaining to this lesse agreement shall be accepted by Lesser, Lessee and all guarantors as binding and enforcements and full have the same force and effect as original signatures. Lessee authorizes Lesser to cooperation of the lessee through, electronic means. All Lessee, email: addresses provided to Lesser will be confidented, and will not be shared, and of or sparmmed. Delinquent lesse installments and other, sure that one, Lesser, shall been intensed the alighteen percent (18%) per annum if not prohibited by law, otherwise at the highest lawful confract rate. If there is more than one, Lesser, Lesser may, with the consent of any one of the Lesseet, modify, extend, or change any one of the terms hereof without consent or knowledge of the others; Willout to any way releasing, waiving, or impairing any right granted to Lessor against the others. Lesses and each of them are jointly and severally respensible and liable to Lessor under this Lesse. If Lessor is required by law to discount any unpaid lesse payment or other sums payable by Lessee hereunder, then the parties hereto agree that the discount rate used shall be five person (6%) annually. If any provision of the Lesse is contrary to, prohibited by, or held invalid under applicable laws or regulations or any jurisdiction in which it is sought to be enforced, then such provision shall be considered severable and inapplicable, but shall not invalidate the remaining provisions of this Lesse. -but shall not invalidate the remaining provisions of this Lease.

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## **GUARANTEE**

To induce Lessor to enter into a Lease with or otherwise extend financial accommodations to MONTEZUMA RIMROCK WATER COMPANY LLC ("Lessee"), the undersigned Guaranter unconditionally guarantees to Lessor the prompt payment when due of all Lessee's obligations to Lessor. Lessor shall not be required to proceed against the Lessee or the Equipment or enforce any other remedy before proceeding against the undersigned. The "undersigned waives notice of acceptance hereoftand all other notices or demand of any kind to which the undersigned may be entitled. The undersigned." ...... consents to any extensions or modifications granted to Lesses and the release and/or compromise of any obligations of Lesses or any other obligous and guarantors of any collateral therefore without notice and without in any way releasing the undersigned framille or her obligations hereunder. Guarantor Walves any right to require Lessor to apply payments in a certain manner and acknowledges that Lessor may apply payments beenvad in the fashion most advantageous to Lessor. Furthernore, Guarantor waives any and all claims against Lessee, by subrogation or otherwise, until such time as Lessee's dollgations to Leasor are fully and finally satisfied. This is a continuing guarantee and shall not be discharged, impaired or affected by death of the and undersigned or the existence of nonexistence of leases as a legal entity. This continuing Guarantee shall bind the heirs, administrators, representatives, requiressers, and assigns of the undersigned and may be enforced by or for the benefit of any assignee or successor of Lesson.

The provisions of the Guarantee shall extend to and apply to all the obligations of Lessee to Lesson, now, existing or hereafter made, incurred or created..... Lesson to the cuarantee state extend to and apply to all the congruptors of Lesson to Lesson, however, analog, and whether set forth in separate agreements, schedules, applications, orders on collateral documents: The execution of this Lesson Cuarantees and not extinguish, release or weive any existing obligations, promises or gentrances of Guaranterior for the benefit of Lesson. The undersigned agreements and expenses incurred by Lesson if its successors or assigns in the empirical ment of the Caranterior of the Successors or assigns in the empirical ment of the Caranterior of the Successors or assigns in the empirical ment of the Caranterior of the Successors or assigns in the empirical ment of the Caranterior of the Undersigned personal guarantee to Empire to Empire Lesson LLC obtaining a consumer credit report on the undersigned from time to time in the credit evaluation and review process.

the credit evaluation and review process.

Law Which applies, This agreement is governed by Washington Law, each guarantor consents to the personal jurisdiction of the courts of the state of washington for any dispute, suit of action arising under or in relation to this guarantee and agrees that all lawsuits commenced by a guarantor against lessor must be filled in such courts, at lessors sole oftion, venue (location) for any proceeding shall lie in king county, state of washington. Each guarantor waives the right to a jury trial lessor shall have the option of commencing an action in any court having proper jurisdiction.

" This Guarantie and each of its provisions may be waived or modified only by record signed by Lesson Lesson's waiver of any right to demand performance I hereunder shall not be a walver of any subsequent or other right to demand performance hereunder. If any provision of this Guarantee shall be determined to be unnertoweable, then such provision shall be severed from this Guarantee without affecting any other provision of the Guarantee which shall remain fully enforceable.

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### DELIVERY AND ACCEPTANCE AUTHORIZATION

Hesse's signature authorizes Lessor to verify by phone with a representative of Lessee the date the Equipment was accepted by the Lessee; the Lesse's signature authorizes Lessor to verify by phone with anapresentative of Lesse's the date the Equipment was accepted by the Lesses; the Equipment description, including the serial numbers; the safedule of lesse payments; that all necessary installation has been completed; that the Equipment has been examined by Lessee and is in good operating order and condition and is in all respects satisfactory to Lessee and that Equipment is accepted by Lessee for all purposes under the Lease. This information will be recorded on an inspection/verification Certificate, a copy of which will be forwarded to Lessee upon completion by Lesse. Lessee, hereby authorizes Lessor to either insert or correct the Lessor and/or Vendor name(s), Equipment description, Equipment location and schedule of Lesse payments. Lesses hereby authorizes Lessor to make payment to the Vendor upon completion of the inspection/Verification Certificate.

LESSEE MONTEXUMARMROCK WATER COMPANY LC

LESSEE MONTEZUMATRIMROCK WATER COMPANY LLO MEMBER AND INDIVIDUALLY 4,445

## EXHIBIT 5



3455 S. 344th Way, Suite 300 Federal Way, WA 98001

Post Office Box 4568 Federal Way, WA 98063-4568

253.568.6000

Facsimile 253.568.2222

E-mail: finpac@finpac.com

www.finpac.com

March 22, 2013

John E. Dougherty PO BOX 501 Rimrock, AZ 86335

Re: Docket No. W-04254A-11-0323 / Montezuma Rimrock Water Company, LLC

Mr. Dougherty,

Enclosed is the complete lease agreement for contract number 001-0796680-001. Please note the verbiage on our UCC states the agreement was dated April 3, 2012, however this is the date the agreement was booked. As you can see on page 5 of the agreement, the lease was actually dated March 22, 2012. The front page of the agreement has a typed date of 4/2/12. It is our policy to use the date on the confirm call to fill in any date fields left blank at the time of signing. I have included a copy of the confirm call for your reference.

The enclosed lease agreement is the only lease agreement we have on file for Montezuma Rimrock Water Company. The agreement you provided with a typed date of 5/2/2012 appears to be an unauthorized modified version of the original. We did not type the date of 5/2/2012 on this agreement. The lease you sent me is also missing page 5 of the agreement.

I have also included one email and attachment that was sent to Patricia regarding the insurance requirements.

Thank you,

Dawn Pearce

Legal Department

253-568-6141

dpearce@finpac.com